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Financing Higher Education
The Policy Dilemmas
Clark Kerr/David B. Truman/Milton Friedman
Charles J. Hitch/Martin Meyerson
Roger E. Bolton/Malcolm Moos/James S. Coleman
Theodore R. Sizer/Algo D. Henderson

Aaron Wildavsky — Black Rebellion and White Reaction

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Robin Marris — Galbraith, Solow, and the Truth about Corporations

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James C. Vadakin — A Critique of the Guaranteed Annual Income

Daniel J. Elazar — Megalopolis and the New Sectionalism

Irving Kristol — Decentralization for What?

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The empty-head blues: black rebellion and white reaction

AARON WILDAVSKY

Liberals have been moaning those empty-head blues. They feel bad. They know the sky is about to fall in. But they can't think of anything to do. Having been too sanguine and too self-righteous about their part in the civil rights movement, they are too easily prey to despair when their contribution is rejected by those they presumed to help. Torn between a nagging guilt and a secret desire to turn on their black tormentors, white liberals have become spectators watching with frozen horror as their integrationist ideals and favorite public programs disintegrate amidst violent black rebellion. How did this maddening situation come about? What can be done about it?

How to enrage whites without helping blacks

A recipe for violence: Promise a lot; deliver a little. Lead people to believe they will be much better off, but let there be no dramatic improvement. Try a variety of small programs, each interesting but marginal in impact and severely underfinanced. Avoid any attempted solution remotely comparable in size to the dimensions of the problem you are trying to solve. Have middle-class civil servants hire upper-class student radicals to use lower-class Negroes as a battering ram against the existing local political systems; then complain that people are going around disrupting things and chastize local politicians for

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not cooperating with those out to do them in. Get some poor people involved in local decision-making, only to discover that there is not enough at stake to be worth bothering about. Feel guilty about what has happened to black people; tell them you are surprised they have not revolted before; express shock and dismay when they follow your advice. Go in for a little force, just enough to anger, not enough to discourage. Feel guilty again; say you are surprised that worse has not happened. Alternate with a little suppression. Mix well, apply a match, and run. . . .

The dilemma of liberal politicians is exquisite. Now they play only "minus-sum" games in which every player leaves the contest worse off than when he entered. The first rule is to get yourself hooked on purely symbolic issues. This guarantees that if you fail to get your policy adopted you are revealed as impotent and useless to the deprived. If you win your policy objective, you are even worse off because it is soon clear that nothing has changed. A typical game played under this rule is called "Civilian Police Review Board." The objective is to force a racist response from the voters who are fearful of their safety on subways and in the streets. The game begins with a publicity campaign focusing on fascist police, various atrocities, and other lurid events. The police and their friends counter with an equally illuminating defense: nothing is wrong that a little get-tough campaign would not cure. The game ends with a ballot in which white voters are asked to choose between their friendly neighborhood policeman and the specter of black violence. The usual result is that the whites vote for the police and defeat the review board. If a review board is created, however, it soon becomes apparent that a few judgments against policemen have no effect on the critical problem of securing adequate protection for Negroes. But the game is a perfect loser: everyone's feelings are exacerbated and the conflict continues at a new height of hostility.

There are many similar games. In Milwaukee, for example, wave after wave of Negro demonstrators cry out for a fair housing ordinance. The certain result is that whites are made furious. The sad thing is that, if the punitive marches succeed in their immediate goal, only a handful of Negroes at most will be helped. Or consider the drive to achieve school integration by bussing children to different parts of the city. If such integration is accompanied by huge efforts to create equality of educational achievement among black and white, all praise is due. But if black children continue to read poorly, race hatred may well increase. Black radicals will then be certain to condemn the liberal integrationists who have again left them and their children holding an empty bag.

The liberal politician is damned if he does and damned if he doesn't. He breaks his back to get two historic civil rights acts passed only to find himself accused of coming in too little and too late. The

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rat control bill is a perfect example of the classic bind. When Congress originally failed to pass the bill, it was made into a bitter example of inhumanity. Yet it can safely be said that had the bill sailed through Congress it would also have joined the list of those liberal measures that are not good enough to do the job. Too little and too late. How much all this is like Groucho Marx's famous crack that any country club willing to have him as a member wasn't exclusive enough for him to join.

We have learned some hard lessons. Every time we try to deal with problems of race we end up with symbolic gestures that infuriate everyone and please no one. Why? The American dilemma is a compound of racism suffused with class differences. Since America appears to be richer in economic resources than in brotherly love, it would be natural to tackle economic problems first. Few of us expect a quick solution to the lesser problems posed by large class differences among white people. None is surprised that upper-class whites do not integrate with their lower-class racial cohorts. Yet we persist in following policies that attack racism before economic equality has begun to be established. The result is that neither poverty nor racism is diminished.

Disheartened by the magnitude of the change required in racial behavior, unwilling to recognize the full extent of the resources required to improve economic conditions, we are tempted to try a lot of small programs that create an illusion of activity, ferment, and change. But nothing much happens. Confusion is rampant because it looks to some (mostly white) like so much is being done, and to others (mostly black) that nothing is happening. Hence the rival accusations of black ingratitude and white indifference. It is apparent that we should abandon symbolic policies that anger whites and do not help blacks and should concentrate instead on programs that will materially increase the well-being of poor people in the United States. Programs should be large rather than small, and provide tangible benefits to many citizens, not symbolic rewards for a few.

Income and education

The most compelling need is for a fast and vast job program designed to virtually end unemployment among Negroes. The best alternative would be a superheated economy in which jobs searched for people and employers served their own interests by training any available man. Inflation would be a problem, but one of much lesser magnitude than present dilemmas. The next best alternative would be large government subsidies to finance decent jobs with futures, again leaving training to employers and motivation to indigenous groups and the near-universal desire for legitimate gain. Nothing else is possible until we end high rates of unemployment.

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But any program designed to improve the longer-range prospects of the disadvantaged would also have to involve a fundamental change in elementary education. There are many things we do not know about improving education. But we do know that the child who reads well can do most anything, and the child who cannot is lost. If you are fourteen and cannot read, you know there is no future for you in ordinary American life. Following the principle of "bottleneck" planning (i.e., concentrating every effort on the most critical resources), one might abolish all subjects in the curriculum except reading and a little mathematics. Every six months there would be examinations in reading, and teachers whose classes fell behind would be held to account. Principals would be promoted on the basis of the accomplishment of their students in reading. Although family conditions may overwhelm all other factors in ability to learn, as the Coleman report suggets, this is a conclusion to which we should be driven only after making the absolute maximum effort to get every child to read.

Would these employment, income, and education policies stop black rebellions?[1] That is bound to be the question. Alas, it is a mean-spirited question because it deflects attention from human needs. But it will raise itself insistently, so we had better attend to it, especially if (as I believe) rebellions are bound to increase for a time. Let us assess the adequacy of these remedies by evaluating them in the context of theories of racial rebellion.

Reward and blackmail theories

We are everywhere confronted with exceedingly primitive notions of the causes of racial disturbances. According to one popular model, rebellions are caused by giving rewards to the people who engage in these activities. The reward theory posits ever-increasing violence in response to the hope of getting ever-increasing rewards. This vulgarized version of learning theory (Christians call it sinning to abound in grace) suggests that outbursts will continue so long as Negroes are rewarded by governmental policies designed to improve their conditions. Would it be true, then, that the less that is done for Negroes, the less the probability of racial rebellion? What will we do when at all future moments we will be looking back at past rebellions, passing through present rebellions, and anticipating future rebellions?

[1] One has to be careful not to commit semantic aggression. The word "riot" is too aimless to apply to a phenomenon that is national in scope and that is clearly directed at expressing rage against the conditions of life of black people. To use "revolt," however, would suggest far more leadership, organization, and concerted action than appears to have been the case. So we are left with "rebellion," an appropriate word to designate violence by people who wish to express their hostility toward prevailing conditions but who are not yet organized to attack the larger society.

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Another currently held model suggests that white people help black people only because black people rebel. Blackmail is an appropriate designation for this theory. Rebellions by blacks cause whites to provide rewards; these rewards presumably lead to a reduction in hostility. But, on this theory, a decrease in hostility inevitably leads to a lesser willingness by whites to give rewards to blacks. Hence there will be more riots.

Obviously, if one begins by assuming a connection between riots and rewards, one can only conclude that riots cause rewards or rewards cause riots. Disaster is predicted if help is given and doom if it is not. Perhaps a slightly more complex analysis would be helpful.

The theory of relative deprivation

America is a country to which people who were worse off have come to be better off. And so it has proved to be for most of us. But not for Negroes. Not in slavery and not afterward. The southern system of slavery so effectively cut off Negroes from former home, family, and culture that comparisons with the past which sustained so many others against the initial adversity of life in America became meaningless. Being better off than in slavery hardly recommends itself to anyone as a criterion of judgment. For better or worse, black men have been born anew in America. Negroes can only compare their positions to their recent past or to others in America. They have evidently chosen to be Americans if they can. That is our common hope. But it can also be our despair because it is so difficult to satisfy people whose standard of comparison is the richest segment of the richest nation on earth.

Imagine that our fondest dreams were realized: we had secured virtually full employment and higher income for Negroes as well as other Americans. There would certainly be an improvement in the Negro condition. But there would also be an increase in "relative deprivation." The higher starting point for other Americans would guarantee that result. The arithmetic is as follows:

Assume that Negroes make $4,000 a year and that other Americans they compare themselves with make $10,000 a year. If whites increased their income 5 per cent a year, Negroes would have to gain an incredible 15 per cent a year in order to gain equality of income in ten years. If we take the more reasonable assumption about the best that could happen – a 10 per cent increase per year for Negroes and a 5 per cent for others – the absolute difference in income would actually continue to increase for the first decade! So, if rebellions are caused in part by relative deprivation – by resentment at inequality – there will be more rebellions.

Now take education. The most optimistic assumption about education would be that the gap between whites and blacks would narrow

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dramatically in ten or twenty years and not sooner. While the quality of education might improve significantly and quickly if we are very lucky, the benefits would take time to manifest themselves. Moreover, higher educational achievement, while desirable in itself, would likely lead to still higher aspirations. Ergo: things will get worse before they get better.

Job, income, and education policies may be necessary to stop rebellions in the future but they will not suffice to halt them now. Before accepting this melancholy conclusion as the final sentence on our racial crimes, let us see if a closer look at black rebellion will not suggest to us additional remedies.

The anger-plus-opportunity theory

The most straightforward explanation of riotous behavior is that the violence is a combination of anger and opportunity. That whites have long despised Negroes is no secret. That Negroes suffer numerous indignities on account of their color is all too evident. When extraordinary levels of unemployment (running as high as 30 per cent for black youth) are added to these daily causes of resentment, it is no wonder that many Negroes feel enraged. But it is one thing to feel mad and angry and another to feel safe enough to act out those feelings. The relative lack of black violence in the South may be partly attributed to the well-founded fear by Negroes that severe retribution will be visited upon them. Just as soon as Negro strength increased sufficiently in Northern cities and whites became troubled about brutal retaliation, it became safer for Negroes to act on violent feelings. The faint stirrings of white conscience may have had the paradoxical effect of legitimizing black violence without simultaneously leading to actions that dramatically alleviated oppressive conditions.[2]

To the degree that this overly simple theory is correct, it also helps explain the essential perversity of the racial situation. The theory implies that one way of mitigating violence would be to reduce the pattern of injustice that gives rise to feelings of rage. So far, so good. But recognition of the problem and mobilizing political support to begin to act require widespread dissemination of information on just how bad things were and continue to be. The message to Negroes is that they have been and are being treated badly. There cannot help but be the suggestion that Negroes are justified in taking strong actions to improve their position. There are bound to be white people whose guilt disarms them when faced with destructive acts. Thus the

[2]Support for this hypothesis comes from a study of anti-white violence in Africa, which shows that there was little bloodshed in countries that engaged either in consistent repression or gave independence to the black majority; violence did occur when whites vacillated.

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laudatory efforts to reduce the desire of Negroes to act violently actually increases their opportunities for using force without the corresponding expectation of severe punishment. The two sides of the desire-plus-opportunities theory of racial violence are not in balance; attempts to reduce the desire have the exasperating effect of increasing the opportunity.

Black violence has reduced support for measures designed to help Negroes. Yet the polar opposite tactic – nonviolent pressure – is impossible to maintain. The emphasis of the civil rights movement on nonviolence was unnatural. It reassured whites and helped get bills on voting rights passed in Congress. But it left no place for self-defense. Where was all that black rage to go? Instead of a normal stress on self-defense, therefore, many Negro activists have shifted from turning the other cheek to abusing the man. One extreme has simply been substituted for another.

In such a situation it is easy for black men to succumb to a politics of outrage in which violent rhetoric provides a substitute for remedial action. Caught between rage and impotence, held responsible by no mass following of their own, Negro spokesmen compete in ragging the white man. Negroes can't help enjoying the fun, but we should be as clear as they are that the whole act is directed toward "Whitey." If whom a man loves can be determined by whom he can't resist talking to, then Whitey has captured all the affection these people have. No doubt this perverse form of Uncle Tomism will eventually be exposed by Negroes who want leaders to pay attention to them. In the meantime, we risk the consequences of a rhetoric of violence that angers whites without aiding blacks.

I conclude that all of us in America will need an acute sense of humor to survive the next decade. There will be rebellion if we do the best we know how. There will be even more violence if we do not. Almost harder to bear will be the incredible provocations – mixtures of arrogance, slander, paranoia, and duplicity. There are spectacular fantasies among black people about the deaths of Kennedy and Malcolm X right next to saccharine remarks about law and order from whites who have long practiced violence against Negroes. The one truth which white liberals are supposed to avow is that they do not know, have never known, and will never know anything about black people. Yet one would suppose that if two groups have contact, each would have an equal chance of failing to know the other. The old truth may have been that blacks were invisible men for whites. The new truth is that whites are invisible because they all look alike.

The language of "black power" should not, however, be dismissed without serious consideration. The fact that it means so many different things to different men does not prevent our observing that the slogan strikes a responsive chord among black men. At a minimum, black

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power signifies a widespread concern for a political dimension that has been conspicuously missing from previous theories of racial conflict.

The identity and legitimacy theory

It will add to our understanding if we decide which features of the black rebellions we want to explain. The extensive looting, for example, does not appear especially deserving of explanation. There is looting all over the world when riots occur. That is why martial law is so often declared in the wake of natural disasters. When the police appear uncertain or absent, the urge to loot is apparently more than most of us can resist. Nor do we need to spend an excessive amount of time on the snipers. Virtually every society has small groups with an urge to disrupt its activities. The interesting question is why the mass of citizens in the ghettos did not react against the snipers and the incendiaries who put the torch to their neighborhoods.

The beginning of wisdom about black rebellion is that we are dealing with a problem in social control, with feelings widespread in an entire community, and not with just a few wild men. An entire community has become disaffected. That is not to say Negroes share common views on public policy. Indeed, they can hardly agree on anything. But they will not turn in one of their own to the white man. They will not defend what they have against the violence of their own people, not necessarily because they have nothing to lose, but because they do not have enough of the one thing that they would otherwise risk losing – participation in a common American life.

The great question raised by black rebellion is: Who will call himself an American? That has been the modal drama of life in America. Loyalist and patriot, patrician and plebian, slave and freeman, Southern man and Northern man, employer and worker, ethnic and Wasp, all have shattered the quiet of our vast continent with their wars. Today's rebellion is part of this struggle to forge a worthy American identity for black men. Black rebellion presents a crisis of legitimacy – a questioning of "white" authority. Hence the incessant demands for new power relationships. The immediate problems posed by black rebellion are, therefore, political, and require a political response.

Political solutions

The most obvious political need is for mechanisms to reduce the blatant conflicts between Negroes and police with the police being the most visible and oppressive manifestation of governmental authority. Increasing the number of Negro policemen (and firemen) might help by blurring the purely racial nature of the encounters. The

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measures necessary to accomplish this end – allowing entry to people with minor police records, changing various requirements for health and examinations – are within our grasp. There are also various proposals for altering the role of policemen by putting them more in the role of helpers, and by sensitizing them to the problems of life among the severely deprived. It is difficult to quarrel with such humane measures. Yet they do not quite go to the heart of the matter. For policemen do have certain evident law-enforcement functions that may be blurred but not hidden. The rest of us manage to get along with police, not through mutual good will, but by avoiding contact with them unless we make a specific request for help. Not love but distance is the answer. A substantial increase in employment and rise in income will reduce the opportunity and need for crime. (Even the dope addict with a higher income is likely to be able to make arrangements that will keep him clear of the police.) Relationships with police could also be markedly improved by following Jacobus ten Broek's proposal to abolish the law of the poor. One reason that we have "two nations" in America is that there is literally a separate law for poor people. The difficulty is not merely that poor people receive less justice, but also that laws about sexual conduct, home finance, drug addiction, and dozens of other matters apply severely to them but laxly to other Americans. Hiring more Negro policemen will not be successful unless the frequency of unhappy contacts between them and the citizenry is sharply reduced.

Even were all this accomplished, however, it would not meet the profound Negro demand for autonomy, for control of some portion of their lives, for the self-esteem that comes from being powerful. If we cast aside the cynicism that tells us no man is truly master of his fate, we can recognize insistent political demands that may be accommodated or crushed but cannot be ignored. For present purposes we can dispense with a lot of research and simply assume that the best way to feel in control is to exercise control. Can this be done at all? Can it be done without generating the violence that will bring about the retribution that ends our hopes?

The usual American response to difficult political problems has been to disperse and fragment them into smaller conflicts that take place in different localities and times. Problems of church and state and education have been handled in just this way. Applying this procedure to racial problems in the past, however, has meant victory for racism or at least the status quo. Deprived of opportunities to exert influence at state and local levels because of official racism or lack of effective political resources, Negroes had no alternative except to look to the national government. This choice of a favored site for conflict was always opportunistic. Calhoun's doctrine of the concurrent majority meant control for regional racists. States rights and local autonomy were doctrines for keeping the Negro and the poor

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in their places. Now the old men are justified who say that if you live long enough everything comes full circle. Black nationalists, having little hope of a large voice in national and state politics, are talking about local autonomy. They demand a voice and a veto over policies affecting neighborhoods in which black people are in the majority. Bringing government closer to the people is a slogan that is no longer the exclusive property of conservatives. The pursuit of group interest by racial blacks thus creates opportunities for unusual political coalitions.

The Heller proposals for block grants to states, much of which would be distributed to cities, provide a strong basis for agreement. Local government would be strengthened. Negroes would find it more worthwhile to make demands on city governments. Cities would have the resources to grant some of these demands. The formation of neighborhood corporations or governments would be the next step. Run by elected councils within specified geographical boundaries, the corporations would provide a forum for airing grievances and working out common demands. In order to avoid complete focus on demands, and to provide experience in self-government, the neighborhood corporations would also negotiate with the city government to take over certain limited functions. Education has long been considered a neighborhood function and there are already moves toward further decentralization. If health and housing inspections are serious sources of grievances, cities may be willing to let neighborhood corporations hire and guide local people to do the job. Part of the energies within the neighborhood would thus be devoted to resolving disagreements among the local peole about how they should run their own affairs.

We should be clear about what we are doing. The neighborhood corporation involves a return to earlier patterns of local rule that were regarded as offensive to principles of good government. The movement from the spoils system to neutral competence through civil service will, for a time, be reversed. What were previously despised as the worst attributes of boss rule and ethnic depravity — favoritism, trading of jobs for favors, winking at abuses when perpetrated by one's own kind, tolerance of local mores regarded by some as corrupt — will be reinstituted. Political practices worked out to accommodate the needs of lower-class immigrants, arrangements abandoned when they conflicted with rising professionalism and economic status, may understandably be preferred by underprivileged black people. The uneven development of all our people makes it difficult to pursue national practices. And Negroes, too, will have to reconcile themselves to the fact that programs which permit greater autonomy for urban Negroes may leave rural Negroes at the mercy of hostile state and local governments.

Today the black ghettoes resemble nothing so much as newly

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emerging nations faced with extraordinary demands and few resources. There is the same ambivalence toward "foreign" aid: you must have it and yet you hate the giver because of your dependence on him. Highly educated and skilled people (black as well as white) are deeply resented because of the well-founded fear that they will "take over." The greater the disparity between aims and accomplishments, the greater the demagoguery and destructive fantasy life. Yet underneath the pounding rhetoric there are men and women who are learning the skills of leadership. They must be given a chance to learn – that is, to make mistakes. They must have an opportunity to generate growth in human resources in their own communities. Otherwise, they will lack the pride and security to re-enter American life on conditions of mutual interest, respect, and allegiance.

We need to be reminded, however, that without a drastic decrease in unemployment no other programs will be meaningful. It will prove extraordinarily difficult to abolish the law of the poor because so many people will be dependent on governmental assistance that the tax burden will generate additional demands for obnoxious restrictions. When so many men cannot make a living now, educational improvement will seem hopelessly long-range. Community action programs suffer the most because of the utter futility of finding local measures to create vast employment. Expectations are raised that no local or state political system can meet. Ordinary politics are discredited. Each generation of community leaders is rejected as soon as it becomes part of an "Establishment" that cannot deliver.

Income, education, and power are mutually supportive. They are the bastions of legitimacy in our political system. Better education will enable Negroes to receive higher income and to gain the communications skills necessary to carry on political activity. The exercise of governmental power will strengthen the sense of mastery that makes the long road of education seem worthwhile. Political power also creates jobs. Good jobs at decent pay provide additional resources for education and political activity.

Political support

What about the political feasibility of the economic and political programs advocated here? Will the President and Congress agree to spend the $5 or $10 billion a year that a job program will cost? Will mayors and city councils agree to share limited powers with neighborhood corporations? Will a policy of suppression appear more attractive as well as less expensive? There is an old story that goes, "Harry, how's your wife?" "Compared to what?" he replies. The political desirability of these programs depends in part on how they compare with what we have been doing. Take the sad plight of our mayors.

Mayors in the United States are in an incredible position. The only

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things they can do, such as providing better recreation facilities, improving housing inspection, and the like are strictly marginal improvements. They lack the money and the power to do more. Yet they are held responsible for every evil. Rebellions appear to occur at random, afflicting cities whose mayors try hard to do the right thing and cities whose mayors are indifferent or hostile. What incentives will mayors have to do what good they can do? Since they cannot possibly do enough, the do-nothing mayor appears no worse off than the better mayors. (A major possibility is that mayors will learn to concentrate on the one area in which they might do well and reap credit from some segments of the population — suppression of rebellions.) Therefore, working with neighborhood corporations, invigorated by fresh infusions of federal funds, should prove attractive to mayors who despair of their present situation.

Politicians in the Democratic party are frantically pursuing ways of handling racial problems that will not end in disaster for everyone concerned. Buffeted between the hostility of blue-collar workers to civil rights legislation and the inability to satisfy radical Negroes no matter what, the politicians fear their party will be split on racial grounds. They foresee waves of repression and a permanent estrangement between black and white in America. But consider what a new orientation would have to offer to Democratic party politicians. They would not try to bid for the support of racial radicals, white or black. The Democrats would turn down both mass suppression and mass violence, avoiding especially symbolic issues that embitter whites and do not help blacks. The politicians would espouse primarily policies promising immediate and substantial improvement of the economic condition of poor people. Decent jobs at good pay come first. Next, there should be the most powerful education program that can be devised to enable the presently disadvantaged to participate as equals in the market place and the political arena. These policies should be presented at face value as measures for making good the promise of American life. These policies are consonant with the traditions of the Democratic party, and they need not divide the races. The poor need help. We are a rich nation. We can and should give that help.

No doubt a party promoting these income policies might lose an election or two. But when it did get into power it would have goals worth achieving. The difficulty with existing policies is that even when properly pursued they do not help enough people immediately in direct ways. The usual mode of alleviating difficult problems by incremental attack along diverse fronts does not work because there is no solid base on which to rest these efforts. We will never know what long-run contributions anti-poverty programs can make if we continue to insist that secondary programs substitute for primary ones, that supporting programs be adopted in place of the basic efforts they are intended to assist.

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Democratic divisions over these issues also provide extraordinary opportunities for Republicans to recover from decades of declining support. The danger is that an anti-Negro stance will appear to offer hope of detaching white voters from the Democratic party. The resistance of these voters to conservative economic policies would be submerged under a tide of racial anger. There is another stance, however, that would be productive at the polls and fit comfortably with Republican principles. A massive employment program could be expected to win over some Negroes and poor whites while not alienating existing Republican support. Such a program would hold out greater long-run hope of alleviating rebellious conditions than would suppression. Republicans would presumably not support federal subsidies for radical community action. But a program that stressed local autonomy through neighborhood governments should prove attractive to conservatives. Indeed, Republicans are much less weighed down than are Democrats with commitments to existing welfare and education policies that Negroes find so disagreeable.

A response to rebellion

There will be rebellions; that much we can take for granted. The question is not whether these things will happen but how Americans will choose to react. It is easy to win tactical victories – disperse mobs brutally – and lose strategic battles. In the midst of consummate gall and endless effrontery, there is considerable danger of committing strategic suicide. What we do should depend on what we want. The prevailing confusion makes it advisable to take the risk of restating the obvious.

Just as Lincoln put preservation of the Union above all else in his times, so should we put construction of a multi-racial nation as our major objective. Our goal is that we all consider ourselves Americans who pay allegiance to the same political symbols and participate as citizens in the same national life. In pursuit of this goal, we must reaffirm our dedication to integration of the races for all who wish it. Wholly white or black communities can be one mode of participation in a common life. But integration is the preferred way of life for those who believe that there must be a single nation in America. A surface integration, however, must not be pursued at the expense of equality of achievement among black and white, for then integration will become a barrier to the creation of a joint American identity.

If we do not wish white and black men to live as citizens in the same country, we will have no difficulty in finding policies appropriate to that end. We can continue what we are doing. Better still, we can let violence feed on violence. The early riots have largely been aimless affairs in which destruction has been visited by Negroes on their own neighborhoods. Mass repressions visited indiscriminately

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upon black people can give them new reasons for race hatred and further violence. White people can be turned into proto-blacks – people who fear destruction because of their color. The difference between the races is that whites possess more abundant means of committing mayhem.

Americans who wish to hold open the possibility of emerging as a single people should not engage in mass repression. The surest way for black bigots to get a following is for white racists to create it. We want to open and not to foreclose the possibilities of being American together. There will be riots, and they will have to be put down. But our aim should be to separate the actively violent from the rest of the black community. Force should be limited, specific, and controlled.

Capitulation to lawless behavior would be bad. The hunger for humiliation shown by the New Left can only succeed in demeaning everyone. The black man's dignity cannot be won by the white man's degradation; the bread of humiliation will feed few people. The most destructive elements will simply be encouraged to raise the level of abuse. White anger will rise. Acting out the ritual frenzy of hatred will close all doors.

Our program should be neither suppression nor capitulation, but affirmation of common possibilities in a civil society. Without promising what no man can deliver – an end to the rebellions that are the consequences of our past failures – we can try to do what we now see to be right and just: A massive employment program, a concerted effort to improve educational achievement, and then support for a process of self-generating growth in the urban ghettos.

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Decentralization for what?

IRVING KRISTOL

The major story on page 1 of *The New York Times* for November 17, 1967, reported that the Model Cities Program was getting under way:

"The Administration made public today a list of 63 cities . . . that will take part in the first phase of the model cities program . . .

". . . The winners will share $11-million in planning money appropriated by Congress last year. The exact amount of each grant will be worked out in negotiations between federal and local officials.

"After the cities have drawn up detailed plans and submitted them to Washington, they will become eligible for $300-million appropriated last month to carry out the rebuilding process."

At first glance, this looks all too familiar – a recipe for bureaucratic nightmare, after the fashion of the older urban renewal program, now generally thought to be something less than a success. You will have a small group of experts in the sixty-three cities – men who will, for the occasion, be presumed to be highly knowledgeable about slum life, slum people, slum buildings, slum real estate, etc. – trying to come up with a blueprint they can sell to their local constituencies and to their Washington overseers. You will have a smaller group of presumed experts in Washington, working desperately to make sense of the detailed plans submitted to them, hoping against hope that the plans will actually be carried out as intended, worrying endlessly (and legitimately) about whether the reports they are receiving "from the field" have any connection with what is really happening. Very few of the experts will, of course, be expert enough to avoid major

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miscalculations. And even if they were, there would still be the delays imposed by bureaucratic red tape to throw their calculations into disarray. In short: a typical social welfare program that threatens to metamorphose into one controversial shambles after another.

Only, in this case, there is something new. The men who devised the Model Cities program were alert to the problems of bureaucratic mismanagement. They therefore wrote into the law a provision for "popular participation" in this bold new venture into city planning. To get its allotted funds, each of these sixty-three cities has to demonstrate to Washington's satisfaction that citizens' governing boards in the affected neighborhoods "participated actively in planning and carrying out" the program. These boards are now being formed via popular election. In Atlanta, a white neighborhood has elected a couple of Ku Klux Klansmen. In Detroit, in a half-Negro, half-white neighborhood, the board is all-Negro. Officials in Washington are reported to be very upset at the way things are going.

Which leads one to contemplate the possibility that there is more than one kind of bureaucratic nightmare – and that the worst kind may yet turn out to be of the "anti-bureaucratic" variety.

The right problem at the wrong time

Americans have never taken questions of public administration too seriously. To do so is to suggest that there may be inherent limitations on the execution of the popular will (and our democratic ideology discourages such a notion) or that the natural capacities of the average American may be inadequate to the detailed tasks of government (a national heresy since the days of Andrew Jackson). But the experience of liberals during the Kennedy Administration was a critical one. Whereas they had previously scoffed at criticisms of "bureaucracy" – by conservatives in general, and businessmen in particular – they soon discovered that there really was such a thing and that its power to thwart or distort social programs was never to be underestimated. Just as most intellectuals only get interested in education when their children start going to school, so the liberal intellectuals around John F. Kennedy suddenly found themselves getting interested in public administration when they discovered that their good ideas and fine intentions got mangled on the way to achieving reality.

The simple fact, they learned, is that the number of programs the political and sociological imagination is capable of inventing always exceeds the number of available people who can realize these programs *as intended*. You always end up with programs being carried out by a bureaucratic hierarchy that understands them only imperfectly and possibly may not even be much interested in them at all.

So it became proper for liberals to talk about the problems of "bureaucracy" and of "centralization," and many started doing so. As

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a matter of fact "decentralization" has in general become a very fashionable idea. Thus, where political scientists used to argue that municipal government was incapable of coping with the problems of the city and that larger, more comprehensive metropolitan governments were needed, this argument has suddenly been reversed. In his recent presidential address to the American Political Science Association, Robert Dahl pointed out that the population of New York City is about the same as that of Sweden, and that New York is "badly in need of being broken up into smaller units for purposes of local government." Indeed, Professor Dahl took a dim view of any unit of local government that encompasses more than 200,000 souls.

So far, so good. We have become keenly aware – and it's about time, too – of the deficiencies of overly centralized planning and overly centralized government. We are all decentralists now. But, unfortunately, liberal intellectuals do seem to have an uncanny knack for focusing on the right problem at the wrong time, and in the wrong way. They have opted for decentralization with the same kind of enthusiastic abstractness they once brought to centralization. They have slighted, when they have not entirely ignored, the supreme political consideration – circumstance. For, as Edmund Burke long ago observed, "Circumstances . . . give in reality to every political principle its distinguishing colour and discriminating effect. The circumstances are what render every civil and political scheme beneficial or noxious. . . ."

I shall have something to say later about the most significant "circumstance" that today affects (or should affect) our efforts at decentralization. But, first of all, it is worth taking a look at the way the *idea* of decentralization became the *ideology* of decentralization.

Populism and neo-populism

We have, during this past decade, witnessed a mounting anxiety about the fate of democracy in a mass, industrialized society. We have simultaneously witnessed a sharp upsurge of populism in American feeling – both on the left and (to a somewhat lesser extent) on the right. A "credibility gap" has emerged which separates the citizen, not merely from any particular administration, but from government itself. As a result, the need for "visible government" (in Mayor Lindsay's phrase) and the importance of "participation" (in just about everyone's phrase) has become widely accepted among social critics and social reformers. The vision of the American people regaining a lost political heritage through a revival of "the town meeting" within our large urban centers has become exceedingly attractive. And, since there is no blinking the fact that ours is a complex and interdependent society, the constituency for such "town meetings" is frequently redefined along "functional" lines, so as to transcend mere

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locality and encompass all those involved with one governmental program or another. Has not Sargeant Shriver roundly announced that "welfare without representation is tyranny"?

At about the same time, various sociologists, psychologists, anthropologists, and social theorists came to the conclusion that conventional populism was not enough. The people had not merely to be "involved" or "consulted" so as to gain their active consent. The people had to "participate" in their democracy in a very special way — i.e., through "social conflict." What these social critics had in mind was no reconstituted New England town meeting of any kind: *that* was a vehicle for consensus. Rather, they entertained images of mass picketing, rent strikes, organized boycotts of local merchants, harassment of all official bureaucracies, etc. Activities such as these, it was insisted, were necessary to the mental health and spiritual uplift of the people, and especially the poor and dispossessed among them.

Just where this particular ideology came from, and how it achieved its popularity, is an interesting question but, for our purposes, an irrelevant one. (Obviously, it had more to do with an initial animus against the status quo than with any ripe sagacity about the difficulties of public administration in a large democracy.) In any event, it came to be accepted by many eminent authorities and respectable institutions. The Ford Foundation has been a leader in stimulating this novel version of populism. A group of scholars at the Columbia School of Social Work has also played a notable role in sponsoring a neo-populist rebellion against "the welfare establishment." The New Left has made it clear that, in its eyes, "participatory democracy" was essentially connected with the class struggle. And black nationalism in the ghettos has learned to insist that true democracy is essentially connected with race conflict, and indeed is quite simply Black Power.

The whole business has by now become a thoroughly confusing tragi-comedy of errors. And no group has been more confused than our governing authorities. Congressmen who voted for Community Action Programs and all sorts of "maximum participation" clauses, thinking they were striking a blow against "bureaucrats" and in favor of "the grass roots," are beginning to wonder what they have wrought. In desperation, they resort to the only kind of defensive action they can think of: indiscriminately cutting the budget for social services.

The schools of New York

Meanwhile, the impulse to decentralization, oblivious to its own ideological muddle and blind to circumstance, gathers momentum. The most sensational venture of the "new decentralization" is the Ford Foundation's program for turning over New York's public schools to locally elected school boards. This is not the occasion to go into a

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detailed critique of the Ford plan. Suffice it to say that in my opinion – and it is not mine alone – Ford's plan will drive white parents out of integrated (i.e., mixed) neighborhoods, white children out of public schools, and white teachers out of the city altogether. It will have the same effect on many middle-class Negroes. In addition, it will certainly result in inferior education for Negro children in the central city, as experienced white teachers move (or are moved) elsewhere. All this will be accomplished in the name of "decentralization" and "neighborhood self-government" – which, in reality, will mean school boards that polarize and intensify all latent racial and political conflicts in any particular section of the city.

It is conceivable – let us even say it is probable – that, had the Ford program been introduced fifteen or twenty years ago, it would have represented an improvement. At that time, the politics of the Negro community centered around the demand for "integration," and Negro leaders would have had considerable latitude in negotiating with whites over the manner and matter of education. This is no longer true. The dominant political ethos of the Negro community is now black nationalism.[1] So far as one can see, this ethos will become stronger rather than weaker in the troubled years that lie immediately ahead. This being the case, the popularly elected school boards are going to be forums for conflict and hostility rather than cooperation and communality. They are going to be weak and turbulent authorities, not strong and resolute centers of direction. (Indeed, where such school boards already exist, on an advisory basis, this is precisely what is happening.) And if, after the initial turmoil and chaos, they should become strong and resolute, they are very likely to behave in a thoroughly racist way.

Decentralization confused with democracy

To criticisms of this kind, which have been directed against its plan for reorganizing public education in New York, the Ford Foundation has only one strong rejoinder: the present system doesn't work. It would be more accurate and more candid to say that the system "works" no less well than it ever did, but that it has not been able to cope with lower-class Negroes as it previously coped with, say, lower-class Italians. (Essentially the same thing can be said about our welfare system.) Still, it is clear enough that New York's public education system, even when and where it works, is very efficient in enforcing petty regulations, extremely inefficient in coping with new problems

[1] I am not saying that the majority of Negroes are, or ever will be, black nationalists – except perhaps in a highly attentuated and rather passive way. But it seems clear that no Negro group will be able to *oppose* black nationalism without committing political suicide. The anti-nationalists are already in the process of being transformed into "moderate" nationalists.

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or new opportunities. There is indeed, then, *in the abstract*, a valid case for decentralization. But, even in the abstract, what kind of decentralization?

It is always a good idea, when reforming an institution or a program, to take guidance, not only from general principles or preconceived opinions, but from comparable institutions and programs that do seem to work. Now, not all of education in New York City is out of popular favor. The affluent private schools, on the whole, are well regarded by parents, students, and teachers. So are the anything-but-affluent parochial schools, which the majority of Negro parents would be delighted to send their children to, were there room for them. What is it that makes these schools acceptable at the least, desirable at the best?

The answer has nothing to do with these schools being run on principles of local democracy which they are not. It has everything to do with these schools being run on principles of *delegated authority*. Specifically, the reason these schools "work" better is that they are governed by headmasters who have considerable managerial power, managerial discretion, managerial immunity to outside pressures (*including* parental pressures). From what I have seen of public school principals in New York City, they compare favorably enough to private school headmasters. What they lack is any kind of real power to do a good job.

I am not unaware of the difficulties involved in conceding to them this power. Indeed, the difficulties are just about identical with those the Ford Foundation program is likely to encounter, but with the tumult swirling around the choice of principal instead of the school board. In any case, I am not here interested in arguing the case for one particular kind of educational reform as against another. I wish only to stress a significant, and frequently misconceived, point: decentralization is one thing, democracy is another. The government of Sweden is far more decentralized than the government of New York City, but it is not thereby more democratic. Indeed, the Swedish government is probably *less* democratic than is New York's — and better governed.

Or, to put it another way: *decentralization, if it is to work, must create stronger local authorities, not weaker ones. Effective decentralization does not diffuse authority; it takes the power that is diffused throughout a large bureaucracy and concentrates it into new nuclei of authority.* Before we commit ourselves to any scheme of decentralization, we ought to make certain that this particular reconstitution of authority is what we really want. And I find it instructive to note that many of those who favor radical decentralization of education in our Northern urban regions are simultaneously demanding the extension of federal bureaucratic controls over education in the South.

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The most important circumstance

In the United States today, the key "circumstance" that ought to affect one's attitude toward decentralization is the relationship between black and white – the present racial tensions we dare not ignore, the future integration we dare not despair of. Every reforming enterprise must, first of all and above all, take its bearings from this circumstance. It is always useful to inquire to what extent we can decentralize our cumbersome service bureaucracies (in education, welfare, housing, perhaps even policing). But it is even more useful to inquire to what extent we can decentralize our services *without fractioning our heterogeneous political community.* I am not saying that, under present circumstances, such decentralization is always undesirable. I am saying simply that we must always ask *whether* it is, in the light of these circumstances.

Indeed, were it not for the racial heterogeneity of this nation, the organization of our social services would be a relatively superficial problem. Politicians, of course, might kick up a big fuss about one thing or another. But whichever way the issue were resolved, it wouldn't make all that amount of difference. Take education, for instance. To begin with, were it not for the race issue, it might not be widely regarded as a "problem" at all. (In the all-white neighborhoods of Brooklyn, Queens, and Staten Island there isn't even as much dissatisfaction with the New York public school system as, in my opinion, there ought to be.) Second, if one wished to experiment with various forms of "decentralization," one easily could – whatever controversies they engendered would not be more damaging than, say, present controversies in smaller communities over local school board issues. (In these controversies, feelings run high – but only temporarily.) Third, one could even contemplate experimenting with quite radical reforms that go beyond "decentralization" – such as extending "consumer sovereignty" to the educational sector by abolishing "free" schools and distributing educational expenditures (in either cash or vouchers) to parents, who could then shop for schools as they please. The important thing is that, whatever was tried or not tried, whatever worked or didn't work, would not seriously affect the shape of the American republic or its ultimate destiny.

But we *are* a racially heterogeneous nation. And we *are* committed to creating a racially integrated society[2] This fact and this commit-

[2] One of the arguments of those who propose decentralization along racial lines is that "integration" is turning out to be a will-o'-the-wisp, anyway. I think these people have an erroneous and highly utopian notion of integration. Yes, of course the proportion of all-Negro or predominantly Negro schools is increasing in our central cities, as the Negro population of these cities grows. That is inevitable. But I would argue that this is a stage in the process of integration, rather than some kind of contrary tendency. The Irish, the Italians, and the Jews also flooded

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ment are – and ought to be – dominant in our minds. It is therefore of great importance that the major impulses toward "decentralization" now come from the white segregationists in the South and the black nationalists (together with their white, radical allies) in the North. Should these impulses prevail, the task of molding this country into one nation will be made infinitely more difficult, and perhaps impossible. The statesman's responsibility is to resist these impulses where he can, to "contain" them where he cannot resist. "Decentralization," in practice, has come too often to mean the hasty "appeasement" of these tendencies.

The school as scapegoat

There are two further – and not unimportant points – to be made:

1. "Decentralization" is not likely to solve any of the problems of education in our Northern ghettos.

The sociological evidence seems to be conclusive that the schools themselves have only a partial – maybe only marginal – impact on broad educational achievements. What we glibly call the "problem of education in the ghetto" is probably little more than an aspect of the problem of poverty. Though a devoted, imaginative, and inspiring teacher can always make a difference, in any school, any time, there's not much point in asserting that what the ghetto needs is masses of such teachers: they just don't exist in the mass. Nor is there any evidence that changes in the curriculum matter much; or new school buildings as against old; or even smaller classes as against larger ones. What does count is the environment, as established by home and community. The basic fact is that middle-class Negroes, living in middle-class neighborhoods (whether integrated or not), do *not* have a "crisis in education." Centering one's attention on the schools is an effective way of distracting one's attention from the far more important realities of poverty and discrimination.

One can understand why residents of the slums should be tempted to make the schools scapegoats for all of their frustrations. One can even understand – though with less tolerance – why government officials should join in this witch hunt, denouncing the schools for failing to achieve what no schools can achieve. But it is less easy to

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their local schools, in their time. Integration doesn't mean instant assimilation. It doesn't mean – has never meant in America – that a new ethnic group is going to be warmly welcomed into the bosom of the old. It means, to begin with, the establishment of a checkerboard pattern of ethnic neighborhoods – and many Negro "neighborhoods" are now emerging in different sections of New York City, for instance. (We mindlessly persist in calling them all "ghettos," but many people who live there don't think of them as such. After all, even in Bedford-Stuyvesant some 15 per cent of the residents are homeowners.) Every day, and in almost every way, New York City is becoming much more "mixed up" racially than it used to be. Decentralization can freeze the pattern and reconvert neighborhoods back into ghettos.

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understand why social scientists in general should wish to participate in this demagogic campaign. Perhaps they do so for the same reason right-wing groups also tend to make the school a center of controversy: they feel impotent to engender controversy about anything else.

2. It is an accidental fact, but an important one, that *our large and cumbersome bureaucracies, in such fields as education, welfare, and in the civil service generally, happen to play a crucial role in integrating large numbers of middle-class Negroes into American society.* These bureaucracies are, in truth, the best-integrated sectors of American society. To this end, they "work" exceedingly well. Decentralization of these bureaucracies will almost certainly mean disintegrating them. We shall end up with only Negro teachers in Negro schools, only Negro police in Negro neighborhoods, only Negro social workers handling Negro clients, etc. That, in my view, would be a major step backward. And I take it as a terrible irony that the idea of "separate but equal" should, fourteen years after the Supreme Court's *Brown* decision, become so dear to the progressive heart and mind.

Even among the various racial and ethnic minorities themselves, decentralization is already furthering conflict. In New York City, the anti-poverty program is pitting Negroes against Puerto Ricans in open hostility, with each side claiming that the results of local elections to the governing boards of various agencies are "unrepresentative." And, indeed, since so few people take part in these elections, the consequences are bound to be haphazard. The city is trying to cope with this problem by issuing directives that set "correct" numerical ratios, according to race, creed, and color. Since neighborhoods are always changing their ethnic complexion, these directives are subject to constant, and mathematically refined, revisions.

Nor is that all. If this kind of apportionment is to continue, someone will have to decide *who* is black, white, or in-between. This is less simple than would appear at first sight. A group of Negro employees of New York's Community Development Agency have opposed a Negro candidate for the post of commissioner on the grounds he is "not really black." The group informed both the city authorities and the press that it reserved the right to define blackness.

I began this essay by suggesting that, at this time and this place, bureaucratic nightmares might not be the worst imaginable nightmares. I also believe that, if by some miracle these bureaucracies did not now exist, we should have to invent them, as an indispensable mechanism of racial integration. Come to think of it, if we *did* invent them, and gave them a fancy over-all title (Office for Professional Equality?), we should probably flatter ourselves on having taken a great stride forward to the Great Society.

Decentralizing these bureaucracies remains a valid and important long-term objective. But in these times, under these circumstances, it is precisely the wrong objective.

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PPBS and foreign affairs

THOMAS C. SCHELLING

One must speak with diffidence on the Planning-Programming-Budgeting System (PPBS) in relation to foreign affairs. Foreign affairs is a complicated and disorderly business, full of surprises, demanding hard choices that must often be based on judgment rather than analysis, involving relations with more than a hundred countries diverse in their traditions and political institutions – all taking place in a world that changes so rapidly that memory and experience are quickly out of date. Coordination, integration, and rational management are surely desirable; but whether it is humanly possible to meet anything more than the barest minimum standards is a question to which an optimistic answer can be based only on faith.

Furthermore, PPBS is a method or procedure whose worth depends on the skill and wisdom of the people who use it. Identifying coherent objectives, relating activities to objectives, identifying costs with activities, comparing alternatives, and weighing achievements against costs, are bound to be unimpeachable activities if properly done. But

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human ingenuity is so great that hidden assumptions can be introduced into any analysis, benefit of the doubt can be prejudicially awarded, quantitative data can be subtly made prominent to the detriment of important qualitative considerations, and even the objectives themselves can be gathered into the wrong packages. The success of PPBS in the Department of Defense over the past half-dozen years – and I think there can be no doubt that the system has been a great success – may be due as much to the quality of the people engaged, and their confidence in one another, as to the logic of the system.

I should like to emphasize another point. PPBS, backed up by a competent analytical staff, can hardly fail to be helpful to a decision-maker who insists on making his own decisions and on understanding how he makes them; it can be a seductive comfort, and in the end an embarrassment, to a lazy executive who wants his decisions to come out of a process in which his own intellect does not participate. PPBS can be a splendid tool to help top management make decisions; but there has to be a top management that wants to make decisions.

Let me use an analogy, if I may. A courtroom adversary proceeding has been evolved as a comparatively good way to provide the judge in the dispute with the arguments and evidence on which to base a decision; but the crucial element in the proceedings is the judge himself. Systems analysis and other modern techniques of evaluation require a consumer, some responsible person or body that wants an orderly technique for bringing judgment to bear on a decision. PPBS works best for an aggressive master; and where there is no master, or where the master wants the machinery to produce his decisions without his own participation, the value of PPBS is likely to be modest and, depending on the people, may even be negative.

A third point I would emphasize is that PPBS works best, and historically has been mainly applied, in decisions that are largely budgetary. Budgetary choices are typically choices among *good* things, some of which are better than others, when there are limits on what things or how much of them one can have. The question is not, "What is good?" but, "Which is better?," not whether more is better than less, but whether it is enough better to be acquired at the expense of something else. A budgetary proposal never arises in the first place unless someone thinks it has merit. A bad budgetary judgment is usually – not always, but usually – bad in proportion to the money that is misused; outside the budget big mistakes are cheaper. Having more bombs than necessary is bad only because they cost money; using bombs, or failing to use them, can be bad irrespective of what the bombs cost. In foreign affairs, more of the hard decisions are of this nonbudgetary sort; bad decisions are not merely wasteful of mony, and good decisions do not merely promote efficiency.

Even in defense there are plenty of decisions that are not mainly

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budgetary; the defense budget, though, is so big that the scope for good budgetary practice is ample, and no one can deny the significance of PPBS if it "merely" helps to spend 50 or 75 billion dollars per year more sensibly. In foreign affairs, quite broadly defined, annual expenditure is about a tenth of that. The Director of the Budget has cited a figure of $5.6 billion, exclusive of expenditures on military forces and intelligence. No one will claim, I am sure, that decisions made in the field of foreign affairs are only one-tenth as important as those made in the field of military affairs; and indeed a good many of the nonprocurement decisions in the field of military affairs can be construed as a specialized part of foreign affairs.

I shall not question the worth of being more efficient in the use of $5 billion, even though the amount seems small compared with the defense budget. Furthermore, those of us who think that foreign affairs sometimes receives stingy treatment in congressional appropriations, compared with defense procurement, must be especially concerned that scarce resources not be wasted. Nevertheless, few among us, when we think about the management of foreign affairs, have an overriding concern with how the $5.6 billion gets spent. Money is not the primary consideration in nuclear proliferation, recognition of the Greek military regime, or new commitments to Thailand. Indeed, PPBS if too much focused on costs and other "tangibles," may even divert attention from those elements of a decision, sometimes dominant elements, that cannot be translated straightforwardly into budgetary terms.

There is consequently genuine concern that PPBS and other techniques of management that are essentially budgetary or quantitative may be not only of less positive value when applied to foreign affairs but even, through their tendency to distort criteria and to elevate particular kinds of analytical competence, of positive harm. A rather striking manifestation of this concern is the extreme reluctance with which governmental officials approach the question of whether the Central Intelligence Agency is part of "foreign affairs" and ought to be subject, not only to similar program planning, but to the same process of planning, programming, and budgeting.

I nevertheless believe the spirit of PPBS, even some of its most familiar techniques, is as much needed in handling nonquantitative and nonbudgetary "costs" as in the more traditional budgeting; the "costs" of, say, meeting certain objectives in Jordan or India may be the sacrifice of certain objectives in Egypt, Algeria, Israel, or Pakistan, and the disciplined judgment that PPBS demands may prove an advantage. The estimates will have a higher component of judgment in them, a lesser component of organized data; at the same time, the temptation to hope, or to pretend, that the "system" gives answers, instead of merely providing the framework for disciplined judgment and confrontation, will be correspondingly smaller.

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PPBS as a means of control

My fourth general observation is that any discussion of PPBS is unrealistic unless it is acknowledged that budgetary processes are a means of control, as well as a means of evaluation. Secretary McNamara surely did not use PPBS and other techniques of financial management merely to cut waste and to improve efficiency or to save money. He took advantage of his central role in the defense-budgeting process to exercise what he believed to be his authority over military policy. Some people have more instinct than others, or better training than others, for using the purse strings as a technique of management and a source of authority; but almost anyone concerned with administration sooner or later discovers that control of budgetary requests and disbursements is a powerful source of more general control. (This is true of universities as well as government agencies.) Anything that makes budgeting more effective will add to the authority of those involved in the budgeting. Budgetary procedures provide invaluable opportunities for holding hearings, demanding justifications, spot-checking the quality of planning, identifying objectives, and even enhancing competition among lethargic subgroups. Furthermore, the budgetary process being geared to an annual cycle, it provides a regular and systematic way of repeatedly examining these subjects.

My own experience on this score has been quite vivid. In 1951 Congress passed the Mutual Security Act. All aid funds were appropriated to the President, who could delegate authority to the Director for Mutual Security. Appropriations for all aid programs were first authorized and then appropriated in a single act, the titles of which were differentiated by region, not by agency or program. Both in going up to the Hill, through the Budget Bureau and the President, and in getting apportionments of appropriated funds, the several operating agencies were subject to coordination by the Director for Mutual Security. An extraordinary degree of centralized coordination occurred. It was accomplished by a small staff working closely with the Bureau of the Budget. The extent of coordination was undoubtedly more satisfying to the coordinators than to the coordinated; but there can be no question that coordination occurred, and that it occurred precisely because the Director for Mutual Security was put directly at the center of the budgetary process.

This is important. It means that in talking about enhancing the budgetary effectiveness of the Secretary of State or his office, we are talking about enhancing much more than that. A real test of whether an aid program, an information service, an agricultural program, an intelligence activity or a peace corps is subordinated to the executive authority of the Secretary of State is whether, and how aggressively, he exercises authority over their budgets. (His authority over their

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personnel ceilings would be a second such test.) I have no doubt that the coordinating role of the State Department in respect of foreign aid would have been greatly enhanced, perhaps permanently so, had the Mutual Security Act of 1951 given budgetary authority to the Secretary rather than to a Director for Mutual Security. (And I have little doubt that the Congress knew exactly what it was doing.)

The question of a foreign affairs budget

My fifth and final observation about PPBS and foreign affairs – and the one most directly related to whether the experience in Defense could be translated into the State Department – is that the budget does not yet exist to which PPBS might be applied in the field of foreign affairs. When Secretary McNamara assumed office, he was at least fifteen years ahead of where the Secretary of State is now in having a recognized budget. There is a "defense budget"; there is not a "foreign affairs budget." Both legally and traditionally the defense budget is fairly clearly defined; around the edges there are the Atomic Energy Commission, some space activities, perhaps the Maritime Commission, that one may sometimes wish to lump into a comprehensive "defense total," and over which the Secretary of Defense does not exercise direct budgetary authority. But he has always had his $50 billion or more that were unmistakably his responsibility; and money spent by the uniformed military services evidently came under his authority. The Secretary of Defense makes an annual comprehensive presentation of his budget, typically in the context of a broad evaluation of the military threat to the United States; it is a "State of the Union" insofar as national security is concerned. The committees in Congress that deal with the defense budget have no doubt that they are dealing with national defense and no doubt about what budget it is that they are considering.

Not so the Secretary of State, whose own budget of about a third of a billion dollars a year corresponds, to take a very crude analogy, to the budget that the Secretary of Defense might present for the operation of the Pentagon building and the people who work in it. The $5.6 billion cited by the Director of the Budget is neither a "State Department Budget" nor a "Foreign Affairs Budget." It is a composite figure that makes a lot of sense to the Director of the Budget but has no official status and corresponds to no appropriations procedure. I have no doubt that his composite is a reasonable one; but if I were to come up with my own figure I'm sure that it would be different, because there is no official definition that keeps me from adding, on the basis of judgment, a few things that his figure leaves out or deleting, on the basis of judgment, a few things that he and his staff think it expedient to include. Even he acknowledges that his figure leaves out intelligence as well as all expenditures on United States

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military forces; and while I may agree that it makes practical sense at the present time to put intelligence in a wholly separate category, it is not for "official" reasons. We know that the CIA is outside the defense budget because we know what the defense budget is; we do not know whether the CIA would be outside a "foreign affairs budget," because we do not even know whether there will be one.

Let us imagine that Mr. Charles Hitch had been, instead of Assistant Secretary of Defense (Comptroller), Assistant Secretary of Foreign Affairs (Comptroller). If he were to perform a task in the field of foreign affairs comparable to what he and Secretary Enthoven and others did for Secretary McNamara, he would have had to invent a budget, not merely to rationalize one. There would not have been a history of "Foreign Affairs Reorganization Acts" defining his budgetary jurisdiction. Nor could he have simply folded into one comprehensive foreign-affairs budget the budgets of several subordinate agencies; not all the agencies would have been subordinate, and some programs over which he might have wanted some coordinating authority would have been lodged in agencies, such as the Department of Agriculture, whose primary responsibilities were not in the field of foreign affairs. By a heroic exercise of both intellect and authority, and with the full cooperation of the Budget Bureau, he might have achieved a welcome consolidation of budgetary plans on their way through the White House to Capitol Hill, but there the whole package would have had to be disintegrated to correspond to the Congressional appropriations structure. This would have been a different task, and in many ways a harder one, than the budgetary task that he actually took on – and that one itself was a task that an ordinary mortal would have shrunk from.

A dilemma of state department organization

I called my fifth generalization "final," but I'd like to make one organizational comment about the Department of State. It has been widely remarked, especially in the early years of the McNamara regime, that there were frictions between civilians and the military in the Pentagon, that "civilian control" was occasionally resented, that there was not always mutual trust and respect as between civilians and the military, and that the civilians lacked direct experience in military command and the conduct of ground, air, or naval operations. Just suppose the reverse had been true, and the Chief of Staff of the Army were *ex officio* Secretary of Defense, all his Assistant Secretaries chosen from the Army, all of their "whiz kids" being bright, promising young Army officers. I think the situation would have been impossible. The entire OSD, being strictly Army, would have had no experience in naval command or the conduct of modern strategic air operations; professional bias and service loyalty would

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have made it beyond the credulity of the Air Force and Navy that they were receiving fair, sympathetic, and impartial treatment. Secretary McNamara had the disadvantage that he and his staff were a class apart – civilians – but he had the great advantage that he was unambiguously a civilian, not identified with a particular service, with no special bonds of personal sympathy or loyalty to any one service, and not obliged to devote part of his time to running one service while being the rest of his time the President's executive manager of them all.

The Secretary of State presides over, or can aspire to preside over, a number of civilian services and operations. But he is also traditionally identified with one particular service, the Foreign Service. The Department of Defense is essentially OSD, "the Office of the Secretary of Defense"; the Department of State is both OSS – "the Office of the Secretary of State" – and the Foreign Service. (It is also quite ambiguously related to ambassadors abroad, who are nominally the President's representatives, but who are more and more expected to be professional graduates of the Foreign Service.) The Congress has never quite recognized the OSS function of the Department of State; putting the Marshall Plan under an independent agency, the Economic Cooperation Administration, was a Congressional vote of "no confidence" in the executive talents of the State Department. Resentment and distrust of "State" by people in foreign aid programming, through a long sequence of agency reorganizations, has been not wholly dissimilar to the distrust that the military allegedly have for civilians in OSD.

Furthermore, by putting some of the specialized professional responsibilities in quasi-independent agencies such as AID, USIA, and Peace Corps, the Executive Branch and the Congress have precluded the State Department's acquiring the professional talents, the internal organization, and the executive experience to lord it over these other agencies. No uniform distinguishes the AID official from a country director, or Deputy Assistant Secretary of State; but he may feel a little the way an Air Force officer would feel if the Congress had created the Defense Department by elevating one service into executive status while preserving the operating role of that service.

I have to discuss this because, as I mentioned earlier, techniques and procedures that are intended to enhance the budgetary role of a particular office tend, when successful, to enhance the executive authority of that office. The matter is not simply one of providing better analytical staff work to a senior official of the government; more than that, the issue is how to generate more coherent planning and better coordinated operation in the field of foreign affairs. The first thing to decide is whether we want more coherence, more coordination, and an identified responsibility for executive direction. If we do not then PPBS probably becomes an analytical specialty that is

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not really worth the attention of foreign affairs specialists. If we do, then I believe we have to recognize that the Department of State presently combines both what might be called the "Office of the Secretary of State," and the Foreign Service, and that this constitutes an encumbrance that the Department of Defense did not have to suffer.

The country as the package

Now let me turn – "finally," if I may use that word again – to the first rudimentary step in the establishment of PPBS. It has nothing at all to do with computers, little to do with systems analysis, and in the first instance little to do with analysis of any kind. It harks back to the first elementary thing that Secretary Hitch did in the Department of Defense, something that is nowadays too little recalled when analytical techniques are being judged.

The most crucial thing that Secretary Hitch ever did was to identify his basic "program packages" – what are sometimes called the "outputs" of the defense budget. It is important, in thinking about a "foreign-affairs budget," not to pass on too readily to the examination of "program elements," and to all the techniques of analysis that can thereafter be applied. Eventually most of PPBS is likely to be concerned with the evaluation of "program elements" and comparisons among them, with cost estimates and so forth. But this is already way beyond what first needs to be done in foreign affairs; that all comes after the basic program packages have been identified.

What is it that corresponds, in the field of foreign-affairs planning, to the original program packages that were developed under Charles Hitch? I believe the Director of the Bureau of the Budget gave his answer when he recently said, "First," – and I am glad he put it first – "*individual countries constitute useful categories* under which to analyze an agency's foreign affairs activities as a means of achieving U. S. objectives." Let me say it differently: Individual countries are the basic "program packages" for foreign affairs budgeting. (I do not at this point want to argue with people who think that regions rather than countries are the basic packages; I think they are wrong, but they are not the ones I want to argue with.) The basic package is not the program – Peace Corps, intelligence, AID, agricultural surpluses, technical assistance, Ex-Im bank credits – but the country. Secretary Hitch identified originally, I believe, about seven basic packages. I wish in foreign affairs we could get along with as few; as Charles Schultze has indicated, the number of countries we now recognize in the world has grown to 119. I'm afraid this is an irreducible minimum number of packages, except as we can exercise selectivity in treating some as far more important than others.

Mr. Schultze understated it; individual countries are more than "useful categories," they are *the basic packages* for not only bud-

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getary decisions but most other policy decisions. Countries cannot, of course, be treated in isolation – India separately from Pakistan, Jordan separately from Syria and Israel, Thailand separately from Vietnam and Cambodia. But neither can the Defense Department's strategic defenses be considered wholly in isolation from strategic offenses, or "general purpose forces" from sea-lift and air-lift. The point is that the basic program package is not Peace Corps, financial aid, military aid, agricultural surpluses, propaganda, or diplomatic representation; the basic package is the country.

Maybe somebody can think of a better package. But what we are presently struggling for in our budgetary procedures is an identification of the objectives or "outputs" toward which our programs are supposed to be oriented. Just getting recognition that the country, rather than the agency or program, is the basic unit of analysis would be a heroic step. After that the people with specialized analytic talents, with schemes for the orderly collection of data, and with professional training in PPBS can go to work. The first step toward PPBS is officially identifying program packages; and that step has not yet been taken.

Who coordinates foreign policy?

To say that the basic program package in foreign affairs is the individual country can provoke either of two objections – that it is wrong, or that to say so is trivial. Those who object that it is wrong do not worry me; I share their discontent with the country as the basic package, but do not believe they can identify a better package, and in the end we shall, equally discontent, settle on the individual country as the least unsatisfactory basic package for most foreign-affairs budgeting.

Anyone who says that the individual country is so obviously the basic package that in saying so I have said nothing is plain wrong. What I have said is trivial as far as analytical budgeting is concerned; but bureaucratically it is revolutionary. Charles Schultze is a sensible and responsible man; that does not mean he is not revolutionary, only that he makes his revolution slowly, carefully, and responsibly. The revolution is *in considering all programs for a country together, rather than all countries for a program together.* It is examining what the United States does with respect to Greece, Thailand, Brazil, India, or Nigeria, rather than what the United States does with aid, Peace Corps, agricultural surpluses, military assistance, and propaganda.

This is revolutionary, not just because somebody would be looking at the totality of United States programs with respect to a particular country, relating them to the same set of objectives, comparing them with respect to their effectiveness, demanding that the same set of objectives be acknowledged in the consideration of each program,

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eliminating inconsistency and reducing duplication. Nor is it that, once the basic country packages are identified, countries would be compared with each other as claimants for United States resources and United States attention.

No, what would be revolutionary is that somebody or some agency has to do this, and it has to be decided who or which agency would do it. (It also has to be decided whether the Congress wants this done; and that may depend on who does it.)

Who should do it? An easy answer is that the Budget Bureau should do it; the Budget Bureau is the centralized agency that brings consistency and compatibility to the claims of diverse governmental programs, foreign and domestic. But what I said earlier about the relation of budgeting to control commits me to the belief that we are talking about the question, "Who coordinates foreign policy?" I do not believe the answer should be the Bureau of the Budget.

Maybe the answer is "nobody." Maybe, as a practical matter, the answer is that the coordination will be fragmented, and the Budget Bureau will exercise a good part of the coordination. But if both the President and the Congress want this responsibility fixed unambiguously, in the absence of a drastic reorganization of the Executive Branch it would be hard to identify any formal locus of responsibility except the Office of the Secretary of State.

But to put this responsibility on the Secretary of State is to give him both a means and an obligation to assume the kind of executive authority that has never, in spite of executive orders and the logic of ideal government, either been wholly acceptable to the Department of State or freely offered to it. This is to put the purse strings directly into the hands of the Secretary of State with encouragement to use them in the executive management of foreign policy.

I think it makes sense, but I am not sure that this is what the Congress wants nor sure that this is what Secretaries of State and their senior staffs want. But this is where we are led by the philosophy of PPBS; and we are led there not by fancy analytical techniques but by the simple logic of "program packages" and the need to develop policies, as well as budgets, in a coherent process that recognizes the country as the primary unit of budgeting and policy-making.

I am not trying to lead the reader, through any line of reasoning or casuistry, to a particular conclusion. If we were concerned exclusively with bureaucratic architecture, we would end up with a good case for demanding of the Secretary of State that his office do this kind of budgeting and do it with the impartiality that would estrange the Foreign Service from the Office of the Secretary of State. But these issues cannot be settled by reference to the aesthetics of organization charts. These are pragmatic questions. Do we want coordination at the price of centralization? Can we split the Department of State into an executive foreign-affairs office and a foreign service?

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Does coordinated, centralized programming undermine the decentralized initiative and responsibility of such programs as the Peace Corps, AID, or cultural exchanges? Does the Congress itself lose bargaining power when the Executive Branch gets better organized for foreign affairs, and is the Congress willing to encourage this?

I should like to see the Office of the Secretary of State accept the philosophy according to which it becomes the executive arm of the President for foreign affairs, and is emancipated from the Foreign Service. I should like to see it use the budget process to clinch its authority and to rationalize its decision processes. I should like to see all overseas programs and activities brought under the purview of an "Office of the Secretary of State," streamlined to provide executive direction. And I should like to see the Department of State enjoy the benefits of modern analytical techniques of the kind that Secretary Enthoven has brought to the Department of Defense, as well as other kinds. But I cannot – I wish I could, but I cannot – declare with any confidence that this can be done. I come back to the remarks with which I began. Foreign affairs is complicated and disorderly; its conduct depends mainly on the quality and mutual confidence of the people who have responsibility; decisions have to be based on judgments, often too suddenly to permit orderly analytical processes to determine those decisions. The best – the very best – performance that is humanly possible is likely to look pretty unsatisfactory to the Congress, to Washington correspondents, to the electorate, even to the President who presides over the arrangement. The system can be improved, but not to anybody's complete satisfaction. In this improvement, PPBS will eventually have a significant role.

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Galbraith, Solow, and the truth about corporations

ROBIN MARRIS

I have volunteered to intervene in the Solow-Galbraith controversy, which began in the Fall issue of this journal, because I have some doubts whether, at the end of the day, the lay reader was left clear about the basic issues. I am not concerned with the scores in the personal exchange: both protagonists are especially brilliant in polemic, and the reader certainly got his money's worth in style. The reader also got from Professor Solow an excellent summary of *The New Industrial State*, almost as skillful as his attempt to destroy it. For the record, I will only say that I do not think either protagonist has a Beautiful Appearance: both are imposingly tall, and both have very craggy faces that seem, in their different ways, to express so much of what has made this country what it is. As will become apparent, however, I am politically biased in favor of Galbraith and will probably be unfair to Solow.

It is true that Galbraith relies largely on assertion (or, shall we say,

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on persuasive writing) in contrast to large-scale evidence to make his case – especially his case about advertising. It is also true that, by a great deal of hard work and by painstaking development of mathematical and statistical methods, economists over the last twenty years have learned to work more scientifically. But, for reasons which seem to be as much cultural as technical, the leading exponents of the new methods have chosen largely to confine themselves within the framework of the traditional assumptions. The form of their experiments has tended to preclude answering many of the questions here in debate. The influence of advertising, for example, has not been tested, but when the question arises it is customary to say that the traditional framework, now endowed with statistical flesh, provides a reasonable explanation of observed behavior, so that it is probably unnecessary to worry about Madison Avenue. If asked for a further opinion, exponents of this school usually themselves resort to assertions: specifically, they assert that the effects of large-scale advertising largely cancel themselves out, leaving the broad pattern of consumer expenditure undisturbed. Solow's review of Galbraith followed this line of argument almost precisely.

The question of advertising

The statistical studies which are said to support the argument are not referred to in detail. But I think I know the literature Solow has in mind (even if Galbraith does not!), and I would suggest that, when it is carefully examined, the implications change considerably. When econometric studies look at the problem from the producers' side (i.e., when they test the hypothesis that variations in selling prices and profits can be explained, in Solow's words, by "supply and demand"), the results in fact leave a great deal of variation unexplained. When they start from the consumer end, they succeed in explaining a good deal of the observed variations in demand for individual commodities only by introducing factors other than conventional economic variables. These other factors, however, are not directly observable; they have to be inferred from the statistical results[1] and described as the trend of tastes, rate of habit formation, reaction to existing stocks of consumer durables, and so on. It is by no means unlikely that advertising has significant net effects on the strength of these relationships. But at present we cannot say whether this is so or not, because, after a quarter-century during which advertising has become one of the outstanding features of our economic life, and scientific economics has been intensively developed, the relevant experiments have never been tried.

[1] I should make it clear that like most of my colleagues I regard these methods as not only valid, but often brilliantly conceived.

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There is substantial technical justification for the situation, since the experiments required would stretch our capacity for rigorous testing to the limit. On the other hand, if the great majority of applied economists in this country are really so sure that they already know the answer, i.e., they are sure that most advertising results in a stand-off, the profession has clearly been guilty of a grave dereliction of duty to the public. They should have been shouting loudly and with one voice, "Here is an activity that has no significant net economic effect, good or bad; it is a total waste; it should be prohibited like arson." The discussion would then be thrown back into the sociological arena. I personally regard the cultural effects of advertising as debasing to language, to truth, and to logic, and as especially despicable because advertising is known to be most effective where the consumer has the least capacity to obtain the information necessary to evaluate products. There are sociologists who argue that the modern style of advertising (especially television) has a function in integrating the working class into the mass society and that the less well-educated obtain satisfaction from being wooed by advertisers. It is true that it is mostly the educated who scoff at advertising. We know from British experience that the working class positively prefers commercial programs and that BBC's audience is largely confined to the better educated. On the other hand, one has to count the cost of the recent effects in the United States of parading television commercials before people living in squalid conditions who can see no hope of buying many of the goods displayed. These are sorts of questions which economists have not equipped themselves to judge, and here I would align myself with Galbraith (in his rejoinder) in a plea for the broadening of both economics and sociology.

The myth of "consumers' sovereignty"

This said, I must confess that the picture which, in my book, I drew in support of my own theory was more complex than Galbraith's and put considerably less emphasis on the effects of advertising as such. The picture was not strictly confirmed by "hard" evidence, although it is considerably supported by evidence drawn from the work of sociologists and market researchers. I saw the process by which consumer tastes develop as a complicated interaction of personal influence (meaning the influence of consumers on other consumers), greatly helped at critical points by advertising and marketing efforts generally. Sociologists have shown, in rather carefully designed experiments, that consumption decisions are effectly influenced, on the one hand, by a variety of advertising media and, on the other, by the recommendations of other persons known to the individual consumer. Each factor – advertising and personal recommendation – is responsible, very broadly, for about an equal share of the total result.

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The experiments cannot contribute directly to the present controversy, because they relate to decisions between alternative brands of the same product at given prices; but they remain suggestive.

The implications for the "affluent society" thesis, and for economic theory, are also clear. A complex, dynamic, socio-economic system of this kind must be considered to be something like a biological phenomenon. Chance constellations of small individual factors at a particular time can have a considerable influence on the future direction of a plant's development. The needs, interests, and performance of producers are a particularly potent example of such influence, and one way of reading Galbraith is to take "advertising" as a portmanteau word for all these kinds of effects. In any event, once we accept this kind of picture, the notion of "consumers' sovereignty" becomes vague, to say the least, and we are provided with a virtually complete justification for a wide range of political action to impose social value judgments in the direction of consumption patterns. Here, quite likely, Solow would want to raise his hand and say, "I do not disagree." But the fact remains that the notion of consumers' sovereignty, essentially an *economic* theory, retains very considerable political force in defense of the status quo. Anyone who doubts the close political relationship should take a look at an advertisement in the January 1968 issue of *Fortune* magazine,[2] paid for by the Magazine Publishers' Association. This advertisement pointed to the alleged relative economic failure of East Germany, as compared with West Germany, in a defense of the activity of United States mass media in fostering demand for a wide range of, and variety among, individual consumers' goods (using the example of stuffed olives). A dramatic juxtaposition of a representation of the Berlin Wall was clearly intended to create a mental association between political repression and government intervention in the pattern of consumption.

The large corporation

The other basic issue between Galbraith and Solow concerned the role of the large corporations. Of course it is true that important sectors of the American economy are still traditionally organized. Supermarkets were an important social innovation, and still more important was the discovery that they can be operated successfully by quite small businesses. But does Solow or anyone else *really* believe that these small-business sectors have a significant influence on the speed and pattern of economic development? The drive of our system comes manifestly from the large-scale sector, now increasingly including the government as well as the large "profit-making" corporations.

And there is a major exception that marvelously tests the rule. The

[2] Page 228. Ironically the issue was devoted to the United States Urban Crisis.

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temporary visitor to this country cannot help being impressed by the apparently general dissatisfaction with the economic and social performance in the field of urban development, dissatisfaction which ranges from the fact of the existence of slums (and the associated difficulty in providing low-cost housing) to the more general question of the adequacy of city planning, the development of the suburbs, and so on. From overseas, the United States appears so prosperous that the "urban" problem is widely assumed to be no more than a euphemism for the race problem. But is it a coincidence that the production sector most closely concerned (namely the construction industries and the real estate business) happens to represent the most prominent exception to the rule of "managerial" capitalism? In this sector, medium-scale organization is typical, and large-scale organizations are usually owned by traditional capitalists. In particular, the free market in urban land (which is at the bed of this whole sea of troubles) displays one of the purest forms of traditional capitalism still surviving. And the cream of the joke is that most qualified observers of the scene other than economists are asking that the great managerial corporations come to the rescue.

Galbraith, on the other hand, thinks that the "Technostructure" cannot or will not undertake the task, because its performance would lack technical virtuosity.[3] I am not convinced. Although put across with characteristic force, the argument is not in fact very strong. There is not firm evidence that, if money were provided for massive urban projects on a scale comparable with current military and space programs, opportunities for exercising technical virtuosity would not be found or would be rejected, especially if the new programs made liberal use of such labels as "Componentization Research" and "Systems Analysis." Galbraith's later argument (in his chapter on the Cold War), that one reason why this kind of money is not in practice available is the indirect political (and indirectly bellicose) influence of the existing Technostructure, is much more convincing, but was not referred to by Solow.

The real world of the firm

When we reach the core of the debate – i.e., the economic theory of corporate behavior – the truth is that Solow was disingenuous, but that Galbraith had left out vital elements and laid himself open to legitimate attack. What Solow omitted to tell was that my theory implies that *in spite* of the existence of "an important discipline in the capital market," the real-world system almost certainly behaves

[3] "[W]e find technological *advance*, as significantly it is called, solidly enshrined as a social good . . . [15 lines omitted] There is no need to measure the advantage of space achievements against help to the poor. In the nature of successful adaptation the absolute virtue of technological advance is again assumed" (p. 175).

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very differently from the way implied in the conventional theory: the conventional theory would imply that corporations would choose to grow considerably more slowly and reward stockholders significantly better. Galbraith, however, in failing to meet the argument that profits are needed for growth, failed to explain how this divergence can occur. In offering to put the record straight, I am motivated not only by vanity, but also by the conviction that an accurate theory about corporate growth is essential for a correct understanding of a wide range of contemporary problems of economic and social policy. The theory cannot be made simple, but can be summarized as follows.

A growing corporation faces two problems: the problem of creating a growing demand for its products, and the problem of financing the necessary growth of capacity. The corporation may strive to be as efficient as possible, in the sense of squeezing the maximum profit from its existing markets; but the search for (or creation of) *new* markets inevitably costs money (in research, marketing, and losses from failures), and so, as the growth process is accelerated, the average return realized on the *total* assets of the corporation must be adversely affected (even if the development expenditure is deployed as efficiently as possible). In theoretical language, we say there is consequently a "functional relationship" between the rate of return and the rate of growth of saleable output, which varies from corporation to corporation (in the sense that some can get a better return with a given growth rate than others) and from time to time, but that at a given phase in a particular corporation's history, when all the facts are known, the relationship is unique. At the same time, any given growth rate of sales must be supported by a corresponding growth rate of production capacity and hence requires an adequate supply of financial capital. If the main source of finance is internal, the existing level of profits is obviously a major factor governing the sums available, so we get a "feed-back" loop in which the rate of growth both influences and is influenced by the rate of profit. In fact, it is not difficult to see that if retained earnings were the only source of finance, and if the *proportion* retained were arbitrarily fixed by law or convention, we would already have what is called a "closed model": given the relationships described, for each individual corporation there would be only one rate of growth which could satisfy both conditions simultaneously (the unique value would, however, vary *between* corporations). This would be an "equilibrium" relationship between growth rate and profit rate, in the sense that the profit rate was at the same time just *low* enough to be consistent with the growth rate of sales and just *high* enough to provide adequate finance. This is about the simplest and neatest "theory of the growth of the corporation" one can conceive. To the best of my knowledge it was invented by Carl Kaysen, now Director of the Institute for

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Advanced Studies at Princeton, New Jersey, in an unpublished seminar paper given in England about ten years ago. It is not difficult to make the theory more realistic by allowing for flexibility in the retention/pay-out decisions and by bringing in outside finance. In my earlier work I put considerable emphasis on the role of internal finance, and more particularly on the balance between internal and external finance in "closing" a more realistic model. More recently, I have become increasingly impressed by the theoretical work of other economists which suggests that the basic implications are much the same whether one assumes finance to be all internal, all external, or a mixture of the two. In other words, I now think it may not matter too much whether Galbraith or Solow was most right in their confrontation on this point. But to explain the next step in the argument most easily (and for that reason only), it is convenient to write as if all finance were internal.

If we accept that, within very wide limits, the retention ratio is effectively decided by the management, the basic structure of the theory remains unchanged – but it is turned around. If the management chooses to go for a certain growth rate, this will determine the profit rate, so there is now only one value of the retention ratio which will provide the continuous finance required. Once the management has decided its target growth rate, it *must* adopt a corresponding retention ratio; if not, the corporation will either (1) run out of money or (2) fail to achieve its target. Of course, Boards of Directors do not see their problems in these precise terms; but there is considerable evidence that they feel and understand the essential structure of the problem in this way.

Profits and/or growth

If the process of growth were steady and continuous, and if the numerical values of the relations involved remained unchanged (neither conditions, of course, being satisfied in real life), a decision by the management to grow at a certain rate, and to choose the consistent retention ratio, must also evidently imply a unique level and expected rate of growth of the dividend; and so, in a rational stock market, the decision must imply a unique current price and prospective capital gain in the corporation's stock. Up to a point, actual or potential stockholders may be content to see increased growth creating prospects of future gain at the expense of current dividends; beyond this point, any further increase in the growth rate chosen by the management must have a depressing effect on the stock price. There is no reason to suppose that a growth-oriented management will always refrain from accelerating beyond this point; and if they go too far they will undoubtedly lay themselves open to a variety of dangers (e.g., a take-over raid). I suggested in my theory that we

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might describe a typical "managerial" objective as maximum growth subject to a *minimum* on the stock price.

Solow said that my theory, in recognizing the minimum stock-price constraint, "came closer to the conventional view." On the contrary, in the conventional view management exists only to serve stockholders, and the essential technical problem is to find decision rules that would establish the policy which will, in fact, *maximize* the price of the stock. The two theories become "similar" only in the special conditions where the minimum and maximum position lie close together. These conditions are most improbable; in other words, the traditional theory is literally a "special case."

Because large-scale, professional management, not personally owning large supplies of finance, has such predominant technical advantages in the modern economy; because, although it may *use* stock-market investors and bankers, it no longer *depends* on them; because the (not insubstantial) true capitalists who remain in our system avoid speculating in large manufacturing businesses unless these are going very cheap (they prefer real estate); because the other potential take-over raiders are typically themselves management-controlled – because of all this and much more, it is inevitable that the safe minimum level of the price of a corporation's stock will be significantly lower, and the safe maximum growth rate correspondingly higher, than the values which would be chosen by a management that really did care only for the welfare of the stockholders. Numerical calculations based on statistical observation suggest that a rather growth-conscious management could typically grow almost twice as fast, setting the stock market value at all times about one-third lower, as compared to the values which would be obtained in an otherwise comparable corporation dominated by stockholders who knew all the facts. Furthermore, the growth-oriented management could safely continue the policy indefinitely, even if there were quite a number of others who chose to behave otherwise. Since the growth-oriented managements will by definition be located in the faster growing corporations, this type of behavior must in time drive out other types – a process which, I suggest, has been going on for some time. The further the process goes, the weaker is the power of the stock market to resist. Since the growth-oriented firms are technically efficient, they display not unattractive levels and growth rates of dividends, the incentive to resistance is dampened, and the latent preference for slower growth and higher current dividends remains unrecognized.

Furthermore, because managements, in fostering growth, also create technical progress, new wants, new goods, and a generally different dynamic environment, the implications of the two types of theory cannot easily be compared. We cannot possibly assert that it would necessarily be in the public interest to compel managements to conform to the traditional norm; we might very likely make many

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people worse off and few better off. Galbraith, however, imposed the value judgment (the "affluent-society" thesis) that the higher rate of consumer innovation resulting from "managerial" behavior by the corporations is undesirable, because it is biased against the expression of leisure preferences and against the development of "public" goods. He does not, however (as maybe does Solow in saying "it might perhaps be better if companies were forced more often into the capital market") suggest that the remedies lie in the direction of the traditional model.

The conclusion I draw (and it is an implication which I suspect to be one of the causes of the considerable ideological drive of "neoclassical" economics in the United States) would probably be disliked by both parties: namely, that once the classical idealization of capitalism is thus destroyed, there is no *economic* case for its superiority over socialism. Consequently, the attempt to impose capitalism all around the world, in some cases virtually by force, can only be justified on political grounds. The latter, however, seem to get thinner every day. In the miserable developing countries of the "free" world, where we cheerfully give aid to almost any form of dictatorship provided no industries are nationalized (the case of Tito being a historical freak, much disliked by the Congress, I understand), there is no dearth of greedy *profit* maximizers, many living in considerable luxury. What the nonaffluent majority of the world's population so badly needs is a much greater number of *growth* maximizers.

The need for "restructuring"

More domestic and less inflammatory implications of the truth about the corporations are varied and pervasive. I will conclude with an example which may be of some topical interest. Suppose it is desired to get the corporations interested in replacing slums with wholesome low-rental dwellings, and suppose that the political conditions for the necessary diversion of national resources have already been created. Suppose federal contracts provide a massive injection of technical stimulus into the construction sector. We would still face the difficulty that low-income housing is an unprofitable line of business. This keeps out the traditionally motivated corporation and also discourages the growth-motivated corporation, because it means growing in directions that offer a particularly unfavorable relationship between growth and profitability, and consequently, means low "equilibrium" rates of growth in accordance with the theory. Under present conditions, therefore, a growth-oriented management undertaking these desirable activities *will be penalized in terms of its own motives* – a point which, once seen, appears rather obvious, but is not in fact generally well understood, and seems to have been missed by Galbraith.

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Solow and many of his colleagues would then say, of course, that here is a perfect example of the traditional assumptions being good enough for policy purposes. On the contrary, it provides an excellent example of the serious practical errors which can result from that attitude. Suppose a certain senator, who may be nameless, proposes a scheme of tax credits to firms which will undertake socially oriented urban renewal projects. On the traditional assumptions, the function of the subsidy is simply to compensate stockholders for a reduced pre-tax rate of return. In my kind of model, the function is to compensate the management for lost growth-opportunity by offsetting the reduction in cash flow. If we follow this through, we will find that the size of the tax credit needed to obtain a given amount of housing would be substantially smaller, and the general political appeal of the project consequently more attractive.

Finally, I would suggest, if we were to "restructure" our economic system so that the units of production were endowed with the social norm of growth maximization (subject to financial constraints), and were freed from the embarrassments of stockholders and other trappings of private property, manipulation of the financial rules to offset various kinds of built-in bias, and generally to foster a good society, would be much easier. We would be freed from the inhibitions and costs resulting from our archaic but powerful custom of assigning a private owner or part owner to most of our means of production. We should be able to concentrate on the task of finding the most efficient ways of organizing all the things we want to do, and to stop wasting our time discussing whether the old corporations did, or were supposed to, "maximize profits." But that is a longer story.

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The truth further refined: A comment on Marris

ROBERT M. SOLOW

I want to welcome Robin Marris to this performance of Our Gang. Since you cannot tell the players without a scorecard, perhaps I should explain to readers of this magazine that Marris is shorter than I am, but not nearly by so much as I am shorter than Galbraith. I will not pass on his beauty, but he has an attractive air of distraction that is really quite deceptive (witness that he is a better skier than I am, though I have not had the opportunity to compare him with Galbraith in this respect). Nor can I say whether his face, which is only moderately weatherbeaten, expresses much of what has made England what it is today. Indeed, the low music you hear may well be Galbraith whistling a few bars of "The Maple Leaf Forever." Since I, too, am politically biased in favor of Galbraith, I do not see why this fact should cause Marris to be unfair to an old friend. Actually, he is not. (I will return to this matter of politics later.)

Marris comments at length on the influence of advertising in the management of consumer demand, and on the theory of corporate behavior. On the first, he does not endorse Galbraith's view of the utter helplessness of the consumer, but he does agree that the success of salesmanship undermines conventional presumptions about the beneficence of market processes. On the second, he presents a theory which corresponds roughly with Galbraith's more impressionistic sketch, but which, because of its greater precision, offers less freedom

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to draw picturesque implications. I shall say a word about each subject.

On advertising

Here one must be clear what the question is. No one who believes, as I do, that profit is an important business motive could argue that advertising has no influence on the willingness of consumers to buy a given product at a given price. After all, how could I then account for the fact that profit-seeking corporations regularly spend billions of dollars on advertising? Nor did I exactly "resort to assertion." What I said was: "I have no great confidence in my own casual observations either. But I should think a case could be made that much advertising serves only to cancel other advertising, and is therefore merely wasteful." I should think it obvious that this almost *has* to be true – i.e., that much advertising merely cancels other advertising – for otherwise there would be nothing to stop both the cigarette industry and the detergent industry from expanding their sales to their hearts' desire and to the limits of consumers' capacity to carry debt. And what would stop each individual manufacturer of cigarettes and detergents from doing the same?

No, that is hardly the issue. I have no wish to deny that an individual seller can shift the relation betwen his sales and the price he charges by incurring advertising or other selling costs. There is even a lot of conventional theory about that. It is important that the evidence Marris cites relates, as he admits, to consumers' "decisions between alternative brands of the same product at given prices." I suppose, on common sense grounds, that it must be relatively easy to affect such decisions by advertising. That is why essentially all tobacco companies advertise – because each is forced to offset the advertising of any one of their number, or lose sales. It must be harder to influence the consumer's choice between purchases of cigarettes and purchases of beer, and much harder still to influence his distribution of expenditures among such broad categories as food, clothing, automobiles, housing. It is open to legitimate doubt that advertising has any detectable effect at all on the sum total of consumer spending or, in other words, on the choice between spending and saving.

My remarks on page 105 of my original review were directed primarily to this last proposition. I wanted to show how shaky the foundations are for the naïve belief that not only the fortunes of individual companies, but also the viability of capitalism, rests on the success of the Madison Avenue shock troops, because without them the flow of consumer spending would dry up.

I suspect Marris would agree with me on this point. He goes on to ask why, if much advertising is merely wasteful, economists are

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not in favor of prohibiting it. Well, as a principle, that does seem to border on the tyrannical. But it has sometimes occurred to me that there might be some point in taxing advertising expenditure, and I gather from conversation with other economists that they have had the same thought. If we do not push it very hard, that is perhaps because up to now there have been more important causes to promote, with a considerably greater chance of success.

That leaves the difficult question of the status of the notion of consumers' sovereignty. Once sellers of commodities can influence, even if not control, consumers' preferences among commodities, it becomes a much less persuasive defense of laissez-faire to say that the system caters to consumers' preferences. Since I am not much of a believer in laissez-faire anyway, that doesn't disturb me. But I am not, for a number of reasons, prepared to accept Marris' leap to apparently wholesale political steering of the direction of consumption. In the first place, to the extent that competition induces sellers to offset one another's advertising campaigns, the seriousness of the problem is tempered and we are back again to waste (and the possibility of taxation as a remedy). Second, there is already piecemeal political intervention in the direction of consumption, beginning with pure-food-and-drug legislation, the mild policing of deception in labeling and advertising, and the various other consumer-protection laws recently proposed or enacted. There would seem to be plenty of room for strengthening and extending such devices. Moreover, just because the formation of consumer preferences is inescapably a social process, it is not clear by what standard Marris' proposal is superior to what we have now. Indeed, "collective political action . . . to steer the direction of consumption" might simply centralize taste-making powers in the hands of a government certainly more powerful and probably more nearly monolithic than even the world of large corporations. I am not sure I want exclusive access to the formation of my tastes to rest with the government of an Eisenhower or a Johnson (or a Douglas-Home or a Wilson). Probably neither does Marris, and in practice we might accept the same sort of policies.

On corporate behavior

Marris has summarized, with quite wonderful economy, his own theory of corporate behavior. It is a self-contained determinate theory, with implications that are testable at least in principle. Like any theory, this one raises two questions. Does it tell a true story? And, if it does, what are its larger implications about economic life?

As I mentioned in my review of Galbraith, it is not easy to invent a clear-cut statistical test of the Marris theory of corporate growth against the more standard model of long-run profit maximization anchored by a target rate of return. I suggested that this is because

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the two theories do not have drastically different implications. Marris objects; like any student of advertising, he would like to stress the differences between his own product and Brand X. I should have been more precise. The two theories need not have very different implications, but they may. Whether they do depends on the height of the minimum acceptable-rate-of-return (or stock price) in Marris' model. The higher it is, or the closer to the target rate of return, the more similar a Marris economy will be to mine. I am uncertain about the source of Marris' conviction that the differences are in fact large, since so far as I know his theory has not yet been given a large-scale run against the facts. One would like to know, for example, how well it does as a predictor of plant and equipment spending.

In the meanwhile, we are reduced to casual empiricism about the assumptions and implications of the Marris theory. This is hardly the place to discuss the matter in detail. I will simply say that the theory, interesting and attractive as it is, seems to me to rest on two fairly weak assumptions. The first is that for a given corporation in a given environment there must be a well-defined relation between its rate of growth (of output) and its rate of return on capital, independent of the absolute size of the corporation. It is not enough for the theory that, with everything else momentarily given, a corporation's profitability should depend on how rapidly it is trying to expand its sales and its capacity. What is required is that this relation hold for long intervals of time during which the corporation is actually growing. Both at the beginning of the period, when the company is small, and at the end, when it is large, it has to be true that to a particular, more or less steady rate of growth of x per cent a year corresponds the same more or less steady rate of profit of y per cent a year. This is not outlandish, but I think the assumption rests on too simple a view of the business of sales promotion, and on insufficient attention to the production-cost side of the problem.

The second dubious assumption is the one that names growth of sales as the prime object of the corporation. Marris does not simply assert this; he argues it with care and sociological circumstance in his book. He gives two versions: a management may "choose to go for a certain growth rate," or else it may seek "maximum growth subject to a minimum on the stock price." In a more technical statement of the theory he can allow profits and growth to be two separate objectives which have to be weighed against each other. The more weight a corporation attaches to profits and the less to growth, the more nearly it will behave according to the conventional theory.

There is certainly a lot of talk in the business press about growth and expansion. But this, by itself, is hardly support for the Marris-Galbraith doctrine. In the first place, the alternative theory – that corporations maximize long-run profits more or less, and expand whenever they earn more than a target rate of return – also entails

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that successful companies will be growing most of the time, and will no doubt be talking about it. In the second place, one must keep in mind that the federal government taxes long-term capital gains only half as heavily as dividends, and under some circumstances considerably less than that. Retention and reinvestment of earnings – i.e., internally financed growth – is the obvious way for a corporation to convert dividends into capital gains for its shareholders, including its officers. So devotion to growth is quite consistent with profit-maximization if profit is interpreted as the after-tax return to the stockholder.

Theories that emphasize the separation of ownership and control tend to ignore the fact that, if the common stockholder cannot control the policy of the corporation he owns, he can arrange to own a different corporation by merely telephoning his broker. He can even buy shares in a mutual fund that will tailor a portfolio to his expressed preferences between current dividends and capital gains. Indeed, such theories generally tend to ignore the large-scale institutional investors, whose presence on the other side of the market makes the balance of power between management and owner look a little different.

This would seem to be important, even within the framework of Marris' theory. He admits that some corporations can be more growth-oriented and less profit-oriented than others. If any substantial number of stockholders strongly favors immediate profits over growth, their demands can be mobilized by institutional investors. Corporate managements are sure to be found or created who will be prepared to get their kicks by catering to these demands.

I realize that these casual remarks about the plausibility of assumptions can never be decisive. For that we will have to wait for serious empirical testing. And if I am right that the two theories could turn out to have similar implications, we may have to wait even longer – but of course it will matter less. By the way, Marris' discussion of the problem of getting private firms interested in the construction of low-rent housing seems to me to favor my view of the matter at least as much as it does his. It turns out that low-income housing is now an unattractive business to be in, on the assumptions of either theory. When you get right down to the nitty-gritty, the difference is merely the size of the subsidy needed to obtain a given amount of housing, and there is probably room for more than one opinion about that, too.

On ideology

Marris considers his theory to be subversive of the existing order. Since the consumer is presumably manipulated and the stockholder presumably ignored, no intellectual case remains for capitalism as an efficient economic system. Even leaving aside the question whether

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this argument applies to the regulated mixed economy of today, it is the damnedest argument for socialism I ever heard. Who would storm the Winter Palace so that units of production could be "endowed with the social norm of growth maximization (subject to financial constraints)" even if "manipulation of the financial rules to offset various kinds of built-in bias . . . would be much easier"?

Marris also suspects that only an ideological drive can explain the persistence with which economists in the United States cling to some (incomplete) confidence in market mechanisms. I would not deny that some academic disputes have a genuine ideological content. But I would also assert that there is far less ideology wrapped up in academic economics in the United States than a man from Cambridge, England, can possibly realize. (One of Cambridge's most distinguished economists, with whom I had been carrying on a rather abstract controversy, once said to me at a party: "You're not a reactionary; so why don't you agree with me?" I thought it was a good question.) In fact, I don't think that my argument with Galbraith and Marris is really ideological in character. My own view is that any economic system can be made to work, if you go at it cleverly. But to do that, you have to get the analysis right. If Marris' theory of the firm turns out to work better, which is conceivable, I will buy it cheerfully.

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A critique of the guaranteed annual income

JAMES C. VADAKIN

Over recent years, the idea of some form of guaranteed annual income program covering all Americans has captured the interest of many scholars. Numerous proposals, varying both in philosophy and content, have been advanced. Their authors have been, in most cases, persons of recognized stature although of widely differing political persuasion — two factors which help to account for the wide degree of attention that has been generated.

The main income guarantee plans which have been proposed are those of Milton Friedman, Robert Lampman, James Tobin, Robert Theobald, and Edward Schwartz. Although not precisely a guarantee program in the conventional sense, the Report of the Advisory Council on Public Welfare also merits consideration.

Negative income tax: Friedman

In his book, *Capitalism and Freedom,* Professor Milton Friedman (of Chicago) suggests the adoption of what he terms a "negative income tax." As he explains it, we now have an exemption of $600 for each taxpayer and dependent under the federal income tax, plus a minimum standard 10 per cent deduction. Exemptions are double if the person is over sixty-five years of age or blind. If an individual has an income greater than the sum of his exemptions and deductions, he pays a tax on the balance. If his income is less than this sum, he simply

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pays no tax. In the latter situation, Friedman's proposal would result in the government making a payment to the individual. The rate of payment would be set at 50 per cent, this figure being designed to avoid discouragement to incentive. For illustrative purposes, assume that a family of four persons had exemptions plus deductions equal to $3,000. This figure would be a sort of "break-even" point. On any income above this amount, the family would pay a tax, as is now the case. But if the family had no income, it would receive $1,500 from the government – i.e., 50 per cent of the difference between the "break-even" amount and the income earned. If earned income was $2,000, the family would receive a payment of $500 – i.e., 50 per cent of the $1,000 difference between income earned and the "break-even" point. The cost of this plan is estimated at about $10 billion annually, if double exemptions are retained.

In considering Friedman's proposal, it is important to understand that he suggests the plan as a substitute for what he refers to as the "present rag bag" of measures in the social welfare field. Friedman is a "liberal" in the nineteenth-century meaning of that term and is strongly opposed to governmental intrusion into the free operation of the market. His negative income tax would take the place of OASDI (Old Age, Survivors', and Disability Insurance – what we usually refer to as "social security"), medicare, old-age and other forms of assistance, expenditures for public health institutions and activities, etc. In other sections of the book Friedman also suggests that we eliminate public housing, farm price supports, and the minimum wage and make other far-reaching changes in existing arrangements of our welfare state.

Income allowance: Lampman

The various proposals of Professor Robert Lampman (of Wisconsin) specify different rates of subsidy to be added to earnings as reported under the income tax, such subsidies being designed to bring each individual or family up to some predetermined minimum income level. The subsidy scales are regressive, in the sense that as earnings increase the rate of subsidy declines. This is designed to afford greater assistance to very low-income earners. The matter of the level of any subsidy involves two questions – that of disincentives and the political and ethical problem posed by people receiving government subsidies and ending up with incomes as large or almost as large as those who do not. These two considerations – incentives and equity – are inherent in all of the plans we are considering.

Table 1 illustrates the operation of one of Lampman's plans, which was prepared in 1965 as an unpublished study for the Office of Economic Opportunity and which uses the Social Security Administration poverty lines as a standard for determining the break-even point.

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As indicated, a family with no income would be $3,000 below the break-even point. At a 50 per cent subsidy rate, the family would be paid $1,500 by the government, giving it a total income of $1,500. But if the family earned $500, the subsidy rate would fall to 45 per cent. Applied to the $2,500 difference between income and break-even point, this would produce a subsidy of $1,125 which, when added to the income earned, would give the family a total income of $1,625. The family thus keeps $125 of the $500 it earned: in effect, it pays a tax on earnings of 75 per cent. At higher earning levels, the subsidy rate declines, as shown; so does, of course, the effective tax on earnings.

TABLE 1. *Income Allowances Plan: Lampman. Based on a Four-Person Family and a Break-even Point of $3,000 per Year.*

EARNED INCOME	AMOUNT BY WHICH INCOME IS BELOW BREAK-EVEN POINT	RATE OF SUBSIDY	AMOUNT OF SUBSIDY	TOTAL INCOME, INCLUDING SUBSIDY
None	$3,000	50%	$1,500	$1,500
$ 500	2,500	45	1,125	1,625
1,000	2,000	38	750	1,750
1,500	1,500	33	500	2,000
2,000	1,000	25	250	2,250
2,500	500	25	125	2,625
2,800	200	25	50	2,850
3,000	0	0	0	3,000

Source: *Business Week*, November 13, 1965. Based on data supplied by Robert Lampman.

Depending on the standard chosen for the break-even point and the rate of subsidy selected, the costs of Lampman's different plans vary between $2 billion and $11 billion annually, based on 1963 statistics. The particular plan illustrated in Table 1 would cost approximately $8 billion, from which about $3 billion now spent for public assistance could be deducted. The proposals are predicated on keeping OASDI but eliminating some existing welfare programs.

Income allowances: Tobin

The plan of Professor James Tobin (of Yale), while somewhat similar to Lampman's approach, contains a number of imaginative variations. The government would begin by paying the "taxpayer" who is below the "break-even point" $400 per year for himself and each member of his family, commencing at zero income. This allowance would then be reduced by 33⅓ cents for every dollar the family earns. By permitting the family to keep two-thirds of each dollar

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earned. Tobin hopes that incentive to work will not be undermined. At an income of $1,200 per person per year, the allowance would be zero. Above that amount, the family would pay taxes at the rate of 33⅓ per cent of each additional dollar. Then, at some higher point, the regular tax schedule would apply.

Table 2 is an illustration offered by Tobin, using a five-person fam-

TABLE 2. *Income Allowances Plan: Tobin. Based on a Married Couple with Three Children.*

FAMILY INCOME BEFORE TAX OR ALLOWANCE	PRESENT TAX SCHEDULE TAX (−)	INCOME AFTER TAX†	PROPOSED SCHEDULE TAX (−) OR ALLOWANCE (+)	INCOME AFTER TAX OR ALLOWANCE
$	0	$ 0	$+2,000	$2,000
1,000	0	1,000	+1,667	2,667
2,000	0	2,000	+1,333	3,333
2,500	0	2,500	+1,167	3,667
3,000	0	3,000	+1,000	4,000
3,700	0	3,700	+767	4,467
4,000	−42	3,958	+667	4,667
5,000	−185	4,815	+333	5,333
6,000	−338	5,662	0	6,000
7,000	−501	6,499	−333	6,667
7,963*	−654	7,309	−654	7,309
8,000	−658	7,342	−658	7,342

Source: James Tobin, "The Case for an Income Guarantee," *The Public Interest*, No. 4, Summer 1966, p. 38. It should be noted that Professor Tobin has devised alternative plans. See "Do We Want Children's Allowances," *The New Republic*, November 26, 1967; "Helping the Children," *The New Republic*, December 23, 1967 (which discusses the foregoing); and "Is a Negative Income Tax Practical?," *Yale Law Journal*, November 1967. In the latter article, written with Professors Joseph Pechman and Peter Mieszkowski, some of the practical aspects of guarantees are examined.

*Point above which present tax schedule would apply.
†Assumes a standard 10 per cent deduction.

ily. According to Table 2, a family of five with no income would receive $2,000 from the government annually ($400 times five persons). If the family earned $1,000, the subsidy would be reduced by 33⅓ cents for each dollar earned ($333), leaving a subsidy of $1,667 which, when added to the $1,000 earned, would give the family a total annual income of $2,667. At an income of $6,000, the subsidy would cease. Between that point and $7,963 the tax rate paid by the family to the government would be 33⅓ per cent, above which the current tax table would become operative. Tobin's plan would have families claim allowances on a current basis and receive monthly installments. Overpayments or underpayments would be adjusted each April 15, in the same manner as currently applies to the income tax program.

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Aside from purely mechanical matters, Tobin's proposal is predicated on a somewhat different philosophical basis than Friedman's. Tobin states that both a "structural" and a "distributive" strategy is needed to combat poverty. A structural approach is one designed to equip the poor to earn a decent living, of which various War on Poverty and Manpower Training Programs are examples. Presumably, Friedman would oppose these measures. A "distributive" method is based on income redistribution along guaranteed annual income or other lines. Both Friedman and Tobin would have their plans supplant other welfare payments, but to differing extents. Under Tobin's plan, OASDI would continue, with beneficiaries being ineligible for income allowances, but with the present earnings ceiling being liberalized. Tobin recognizes housing and medical care subsidies as difficult problems and would not immediately eliminate them. He estimates the total cost of his program at $12 to $15 billion annually, of which a large part of the approximately $5.5 billion now spent for public assistance could eventually serve as an offset.

Economic security plan: Theobald

This is undoubtedly the most far-reaching and controversial of the various income guarantee plans, both in philosophy and content. It was originally set forth in Robert Theobald's book, *Free Men and Free Markets*, first published in 1963. His association with the Ad Hoc Committee for the Fund for the Republic, in its memorandum entitled "The Triple Revolution," gave added interest to the proposal.

Basically, Theobald suggests his proposal as an answer to what he calls the "cybernetic revolution," i.e., the rapid and widespread use of computers and their application to machinery ("automation"). He is convinced that our capacity to produce goods through such technology is so vast that we will be unable to provide jobs at adequate income levels to a really substantial proportion of the work force. Since people must consume and because many will be unable to find employment, the traditional principle that only through work does one secure a claim to income must be abandoned in favor of a new concept. This involves the government guaranteeing to every individual a "due-income" as an absolute constitutional right, whether or not they work.

As outlined in Theobald's 1963 work, his Economic Security Plan would operate along the following lines. It would be composed of two elements, Basic Economic Security (BES) and Committed Spending (CS). BES would establish a minimum income floor under each individual. In the example Theobald uses, this would be $1,000 per year for each adult and $600 for every child. Thus, a man, wife, and two children would be entitled to $3,200. In case the family had income from work or other sources, this would not reduce the

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BES entitlement dollar for dollar. Rather, those persons with income would receive a premium, which Theobald sets at 10 per cent for sake of discussion. Using his illustration, if the above family earned $2,000, its total income would be $3,400 – i.e., $2,000 earnings, plus $1,200 to raise this to the BES level of $3,200, plus $200 (10 per cent of the money earned). BES would replace social security, unemployment compensation, subsidies, and other assistance payments. However, Theobald recommends a universal medical-care program as a necessary adjunct.

The second element of the plan, Committed Spending (CS), which would not be immediately implemented, is designed to protect the earnings of those in the middle-income groups who find their customary living levels jeopardized by the displacements resulting from "cybernation." Again, using one of Theobald's examples, a person who left the work force at age thirty would have a CS entitlement, paid by the government, equal to 50 per cent of his average earnings over the previous ten years. For each year after age thirty that a person continued to work, 1 per cent would be added to the entitlement up to a maximum of 85 per cent at age sixty-five. Thus, if an individual at age sixty-five, with annual average earnings of $10,000 over the previous ten years, drew CS, he would receive a payment of $8,500 per year. Had he claimed CS at age forty-five, assuming the same average earnings, he would receive a 65 per cent entitlement, equal to $6,500. In no case could any CS recipient receive more than three times the appropriate BES benefits – e.g., $9,600 for a family consisting of a man, wife, and two children.

Theobald's plan would be financed from general tax revenues of the government. He is not specific on its cost, beyond the expression of his opinion that revenues would be adequate. Others have estimated the cost of the proposal at $25 to $30 billion per year.

Family security program: Schwartz

The proposal of Professor Edward E. Schwartz (of the University of Chicago) is essentially a straight-out guarantee scheme described in broad terms. Using a family of four as an illustration, his Federally Guaranteed Minimum Income (FGMI) could be set at any one of three levels: minimum maintenance level ($3,000 per year), economy level ($4,000 per year), or modest-but-adequate level ($5,000 per year). Every family head or single individual would file a statement of his anticipated income for the coming year, his income for last year, and information on the number of dependents. If his anticipated income for the coming year was below his FGMI, he would file a claim for a Family Security Benefit (FSB) in the amount of the difference. If it was above his FGMI, he would simply pay an income tax as now provided.

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Schwartz indicates that an incentive feature could be incorporated into his plan. This would be a regressive formula similar to that contained in the Lampman proposal described above. Table 3 illustrates how the incentive element would operate. Using a $3,000 FGMI for a four-person unit, a family earning $1,000 year would retain no less than 40 per cent of earnings, those earning $1,000 to $1,999 would retain 35 to 40 per cent, and so forth, with the percentage of earnings retained falling as earnings rose, such sums being in addition to FSB payments. Families earning between $4,000 and $4,500 would neither receive a FSB nor pay any taxes. Those earning above $4,500 would receive no FSB and would pay an income tax on any earnings above this amount. While open to discussion on this point, Schwartz seems inclined against the inclusion of the incentive feature.

TABLE 3. *Income Allowance Plan: Schwartz. Based on a Four-Person Family and Using a Minimum Maintenance Allowance Guarantee Level.*

EARNED INCOME	FAMILY SECURITY BENEFITS RECEIVED OR TAXES PAID	TOTAL INCOME
$ 0– 999	$3,000–$2,400	$3,000–3,399
1,000–1,999	2,399– 1,700	3,399–3,699
2,000–2,999	1,699– 900	3,699–3,899
3,000–3,999	899– 0	3,899–3,999
4,000–4,999	0	4,000–4,499
4,500 and above	Tax on amounts above $4,500	4,500 plus

Source: Edward E. Schwartz, "A Way to End the Means Test," *Social Work*, July 1964, p. 9.

The cost of this plan would vary according to the FGMI standard selected. Annual expenditures by the government under each of the three alternatives would be as follows: minimum maintenance level, $11 billion; economy level, $23 billion; and modest-but-adequate level, $38 billion. From this could be deducted about $5.5 billion annually, the present cost of public assistance payments. Thereafter, according to Schwartz, savings from other welfare programs would serve as an offset "to the extent and rate that they could be phased out."

Evaluation of the proposals: differing goals

Complicating any evaluation of these income guarantee plans is the considerable difference among them as to the level of income that each would supposedly ensure to individuals and families. The guarantee levels range all the way from less than the Administration's poverty line in Friedman's and Lampman's plans to the poverty line

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in Theobald's BES proposal, from the poverty line to a "modest-but-adequate" level under Schwartz's plans (depending on the alternative selected), and from less than the poverty line to above that amount (in accordance with earnings) under Tobin's proposal.

Although no one would object to the holding of differing points of view on this score among the architects of these proposals, ideally, as a logical first step, there ought to be some accepted goal as to the guarantee level that would best accord with public consensus – provided that the guarantee approach to income maintenance is to be utilized. It would then be possible to measure proposals against such a standard, and derive conclusions about each. The plain fact of the matter is, however, that no such accepted or recognized criterion exists. Thus, it can be argued that any and all guarantee plans suffer from a degree of prematurity on this point.

Guarantee levels, incentives, and costs

These three factors pose what might be termed a "triple threat" in the devising of any guarantee plan. If it is to be acceptable, a plan should fulfill the following three objectives:

1. It should provide a guarantee level that is meaningful in terms of meeting the problems of income inadequacy.
2. It should not serve to undermine incentives to work. Closely related is the question of equity; i.e., should people who receive subsidies end up with incomes approximating the incomes of those who do not.
3. It should be reasonable in terms of cost.

Unfortunately, as will be shown, these considerations operate in opposition to one another. The achievement of one of the goals tends to result in the failure to measure up on one or all of the remaining counts.

Under fractional guarantee plans which do not propose to bring all incomes up to some predetermined level such as the poverty line, the goal of something approaching reasonable cost is achieved, but at the sacrifice of adequate income levels. Thus, Friedman's and Lampman's plans fall far short of ensuring even poverty levels of living, as does Tobin's proposal (but to a lesser degree) at the lower end of the earnings schedule. To the extent that this objective is not met, public assistance programs – which all income guarantee plans aim to eliminate to a greater or lesser degree – would still be necessary. Further, as pointed out by George H. Hildebrand, with the exception of certain families or individuals all the fractional guarantee proposals would fail even to meet the levels of income now paid under OASDI or some or all of the other public assistance programs now in effect. While it is true that many persons not now receiving any

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assistance at all would benefit from the universal coverage of these guarantee plans, this would be small consolation indeed for those

On the other hand, the full guarantee plans, such as those of Theobald and Schwartz, while they would achieve adequate income levels, do so at costs which are clearly prohibitive at present.

Inherent in any income guarantee scheme is the danger of disincentive. Friedman expressly recognizes this limitation in his plan, which is why he sets his guaranteed minimum so low; he can then argue that incentive would not be entirely eliminated. Theobald simply glosses over the whole problem, since he apparently expects many Americans not to be working in any case. Schwartz concedes the existence of this problem, but states that there is an absence of sufficient data about incentives and disincentives on which to formulate policy.

Indeed, the whole question of incentives is one about which far too little is known. As stated by the Council of Economic Advisors: "There is an abundance of assertion and anecdote regarding the impact of work incentives on low-income Americans, but very little real knowledge."

Certainly the old notion that workers prefer indolence to a higher standard of living, and will work only to the point necessary to stave off starvation, is not particularly credible in the United States today. (Witness the growing number of multiple wage earners among American families; the widespread desire of employees for overtime work, and the fact that, over recent decades, almost 60 per cent of our increased ability to produce has been taken in the form of more goods and services, whereas only 40 per cent has gone to increased leisure.) And it would clearly be ridiculous to be concerned about incentives among certain groups in the poverty category, such as the aged. All of this might well lead one to conclude that the problem of disincentive has been overstressed in the discussion of guarantee plans.

However, one must be cautious about making generalizations. Obviously, a guaranteed income plan will not destroy incentive (1) where none exists, and (2) where it strongly exists. But there is a large, vague area in between, and at least a portion of our welfare poor is to be found in it. It could be assumed that all of these people would respond to truly huge incentives; but it is not clear how many would respond to modest ones, as incorporated in the Friedman-Lampman-Tobin schemes. All of these schemes presuppose – what an overwhelming majority of Americans certainly believe – that it is better for those who can earn a living to do so, rather than to be dependent on the public purse. Yet an undetermined number of very poorly paid workers might prefer an inadequate guarantee to low earnings, as might those doing highly unattractive tasks or what Herbert Gans has termed "dirty work."

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The problem of equity needs no special discussion because it is, in a sense, merely the obverse of the problem of incentives. Equity is, quite simply, *the reason* why the additional, earned income has to be taxed at a higher-than-normal rate. After all, something like one-third of all American families earn incomes that are above the poverty level but below the national median. These families, now largely unsubsidized, cannot be asked to sit back while poorer families are raised, by government subsidy, to income levels as high as their own.

The means test

One of the most attractive aspects of guaranteed income proposals, at least to those in the social welfare field, is the belief that these plans would eliminate the means test. Such tests, because of the demeaning way in which they have been utilized under public assistance programs, have long been the target of much criticism – and rightly so. But to assume that they will no longer be needed once a guarantee plan is adopted is simply wishful thinking.

Obviously, subsidy payments should not be made to the nonpoor. Under the various proposals, eligibility would be determined on the basis of income tax or other forms submitted to the federal government. The present income tax form excludes the reporting of social security, unemployment insurance, and workmen's compensation benefits; veteran's disability and public assistance payments; proceeds from life insurance policies; and interest on certain tax-free securities such as municipal bonds. Information on this income would have to be reported in order to avoid serious inequities as well as considerable leakage to the nonpoor.

Other questions and problems would also have to be faced. For example, would persons owning nonincome-producing property, even though they had small incomes, be treated in the same manner as persons with similar incomes and no such property? It is not being suggested that aged and needy widows be compelled to sell their homes as a condition of eligibility, such as might happen under present assistance programs. But there will plainly be cases wherein the level of income during any given period would not be a reliable indication of financial condition or need.

Or again: would certain taxpayers be tempted to drop wives and teen-age children as dependents in order that, when they filed separate returns, their subsidy payments would be more than the savings in taxes to the head of the household? This has been suggested as a danger by Thomas K. Hitch. Would an owner of rental property who had considerable savings use some of this fund to meet living expenses, meanwhile diverting the rental income to defraying deductible expenses toward improvement of the property – all the while collecting a subsidy on the basis that he had no taxable income?

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The number of challenges to the more shrewd on such counts is genuinely fascinating.

To the extent that information not now supplied would have to be reported to the government, the result would be the application of something approximating a means test on a universal basis. And further, insofar as public assistance would still be necessary under any of the fractional guarantee plans, the means test as now constituted would continue in effect.

Administrative problems

Another appeal for guaranteed income plans has been made on the basis of their alleged simplicity and low cost in terms of administration. Here again, one confronts seemingly irreconcilable difficulties. Reports would have to be filed and subsidy payments made on some time basis (annually, quarterly, or monthly). But needs are something which must be fulfilled on a continuing basis, and a subsidy received on April 15 will not meet current expenses, nor is it likely that the lump-sum payments would be carefully rationed so as to cover expenses in the ensuing year. Quarterly payments would suffer from the same shortcoming, if to a lesser degree. And, insofar as a monthly basis was used to overcome this problem, administrative costs would be higher.

Furthermore, if current eligibility were determined on the basis of past reports or on estimates of income for a future period, overpayments or underpayments would inevitably occur, because circumstances between quarters would change and persons in lower income groups could not be expected to predict interruptions in earnings resulting from such eventualities as unemployment and sickness or accidents. Clearly, simplicity would not be a virtue of a guarantee plan to the millions of persons least capable of filing such returns – nor would ease or low cost of administration to the government.

Other considerations

There are a number of additional issues related to income guarantees that are a source of concern. Some of these have general applicability to all such plans, while others pertain only to specific proposals.

1. Income guarantees would treat the results of low earning capacity but not its causes. They would simply transfer income from those above certain arbitrary lines to those whose incomes fall below such figures. While undoubtedly not intended by their proponents, there is a pervasive suggestion emanating from these plans that the pay-

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ments represent a sort of "social conscience money," as it is termed by Harry G. Johnson, paid by an affluent society to those of its members who do not share in a decent standard of living. Such payments of "conscience money" are easily justified on a short-term basis. But do we want them as permanent features of American society? Do we not wish to incorporate the poor into the mainstream of American life? Although there might be some small structural gains from such plans, as a result of altered habits and motivations of the poor once they came to enjoy more acceptable levels of living, the fact is that guarantee plans would do little to improve our human resources, to equip the able-bodied and nonaged poor to earn a better livelihood, and to contribute to our total social product. In this respect, manpower and vocational training programs are superior, albeit slower, alternatives. Similarly, insofar as income guarantees were regarded as substitutes for existing social welfare services or for such new proposals as family allowances, they would tend to undermine what progress toward individual and familial self-reliance might be achieved by these programs.

2. While one may be dissatisfied with the inadequacies of our present income maintenance programs, including the prevailing uses of the means test, it is quite another proposition to move to the other extreme and guarantee incomes regardless of economic contribution — not just to the aged and others from whom work cannot be expected, but on a universal basis. This could very well prove to be corrosive, not only to incentives, but to other values held by the recipients of such payments, as well as to those of their children. The long-run implications in terms of preserving a proper role for the state and preventing too great a reliance thereon and ultimately

a subservience thereto, are troublesome.

3. It is very unlikely that guaranteed incomes would accord with existing ethical values held by the American people. In a poll conducted in Minnesota in 1966, only 24 per cent of those questioned indicated that they would favor paying a negative income tax to those living in poverty. In the American ethic, the role of work is given a significant place as a means of personal fulfillment and satisfaction. To many, the thought that the right to income should be

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income plan, once it was adopted, would be much greater? True, the prerogatives of the various states in determining eligibility and benefit levels would be less important than is now the case. But, at the same time, the poor do not constitute an organized and articulate segment of the body politic, and the danger of the guarantee level eroding with the passage of time would be ever-present.

5. The plans of Friedman and Theobald raise particular questions concerning underlying assumptions. Although Friedman is undoubtedly as interested in alleviating poverty as are other income guarantee advocates, his negative income tax proposal appears to be but one of a number of suggested structural changes designed to remove institutions which impede a more perfect functioning of the market economy. Not everyone is likely to agree with him on the supreme importance of this. The thesis of Theobald, that we are on the verge of experiencing really massive unemployment resulting from a runaway "cybernetic revolution," is one that hardly any other economist takes seriously.

6. In their proposals, the various income guarantee advocates have discussed the relationship of their plans to the OASDI program, with some advocating its continuation and others suggesting that it be replaced. One wonders whether the option of abandoning this program is realistically available. Unlike public assistance measures, the OASDI system has a trust fund which has been built up over almost three decades by the excess of income from social security taxes over benefits paid out. The OASDI trust fund totals over $20 billion, this being held in the form of government securities. Interesting legal and moral questions arise concerning any proposed disposition of the trust fund, to which employers, employees, and the self-employed have contributed for a particular purpose. The political implications need no elaboration.

7. Would guaranteed income plans have a depressing effect on wages? Under Theobald's proposal, 90 per cent of any wage increase to employees would, in effect, go to the government through the mechanics of reducing the subsidy payments received; no less than 60 per cent of earnings above $1,000 would be subject to the same treatment under Schwartz's plan; and varying amounts would be involved in other proposals. The effects of this situation on both employers and employees as concerns their attitudes toward wage increases could be great, and it is not possible to predict what the results would be without more intensive study of this question than has been carried out this far.

Taken as a whole, the foregoing limitations to income guarantee plans ought to constitute sufficient grounds for looking elsewhere for solutions to the poverty problem and for improvements in our overall income maintenance system. My own predilection, as I shall make

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clear in a forthcoming book, is for a system of family allowances together with an expansion of manpower and training programs, additional measures to provide fuller employment, and improved public assistance and social services.

Advisory Council on Public Welfare

In its Report to the Secretary of Health, Education and Welfare in 1966, the Advisory Council on Public Welfare recommended a program for ensuring all families in the United States a guaranteed level of living. This would be done by the addition of a new title to the Social Security Act which would restructure existing social insurance and public assistance measures along the following lines:

1. A minimum standard of living, based on "modest-but-adequate" budgetary needs, and taking into account varying family sizes and circumstances, along with specified social services, would be guaranteed to every individual or family. The determination of the levels of benefits and services in each state would be made annually, as would each state's share in the costs of the program, the latter to be based on its individual fiscal capacity;
2. All persons whose incomes fell below the required levels would be entitled to receive assistance to the extent of the deficiency. Need would be the sole measure of eligibility. The entitlement would be enforced by various legal rights.
3. Any state that was willing to participate in the program by assuming its specified share of the costs would receive from the federal government the difference between such outlays and the total cost of the program in that state.

These recommendations would reverse the traditional roles of the federal and state governments, in the sense that the federal government would assume the primary responsibility for determining the scope, level of benefits, and financing of the various components of the public welfare program. That may be a good idea in itself. But in its report the Council gave no estimate of the cost of its proposed program. As was pointed out earlier, the "modest-but-adequate" level guarantee of $5,000 per year to a family of four persons suggested by Schwartz would require $38 billion annually. The cost of the Council's plan would probably exceed this figure. (After all, about 17.8 million families – 37 per cent of all families – are living at less than a "modest-but-adequate" level and would be eligible to receive some amount of financial assistance.) I think it is fair to regard such a cost as prohibitive, as things now stand. In addition, nowhere in its report does the Council consider problems of incentives and many of the other troublesome areas discussed above in connection with guarantee plans.

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Megalopolis and the new sectionalism

DANIEL J. ELAZAR

Sectionalism, the expression of social and political differences along geographic lines, was for most of our history a commonly accepted factor in American political life. Thus, in the nineteenth century most of the nation's successful progressive movements (Jacksonian democracy, Populism, etc.) had their origins in problems which, though obviously not generated by "raw" geography, were sufficiently related to the geographic patterns of American settlement to be expressed in sectional terms, and were frequently best expressed through intersectional conflicts. But by 1933, sectionalism seemed to have spent all its original force. The coming of the Great Depression not only obscured sectional issues by transferring public attention to nationwide class conflicts, but — through the New Deal — restored the South and the West to positions of some influence in the political councils of the nation, reducing the feelings of alienation in those sections. Nowhere was this restoration more evident than in the cabinet. That body, traditionally regarded as a balancing ground for the political interests of the party in power, had been, in the years since the Civil War, heavily dominated by Northeasterners, with a light leavening from the Great Lakes industrial belt. With the coming of the New Deal, it was converted into a bastion of Southern and Western influence.[1]

[1] Between 1933 and 1953, all of our Vice Presidents came from the greater South or the trans-Mississippi West; as did three of our five Secretaries of the Treasury,

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By the 1930's then, class and ethnic differences appeared to be far more important in American politics than sectional ones. But World War II and the immediate postwar boom more or less successfully reduced the impact of these differences too. Prosperity and "suburbanization," by lifting the earning level of most American families into the middling ranges and by providing a standard minimum level of material comfort (and even a standardized form of material living) for perhaps four-fifths of our population, has eliminated the kind of class consciousness and class antagonisms that sundered American society in the 1930's. Coupled with these factors, the normal passage of the generations has virtually eliminated many of the overt differences between ethnic groups throughout the country, bringing the great majority of the inhabitants of this land into active participation in an over-all national culture. The integration of the Negro population, as troubled and violent as that task may be, is really the last step in this process.

With predominantly middle class forms and standards of living once again — as in the years prior to the Civil War and our industrial revolution — the shared property of the bulk of the nation, the time was ripe for new cleavages to emerge. As it turned out, it was time for old ones to re-emerge in new forms. Perhaps there was no a priori reason to expect sectional differences to come to the fore again, particularly in this self-styled age of the shrunken world. Yet, paradoxically, it was this very shrinking of distance that gave the newly emerging sectionalism other sources of strength than those which draw their vitality from mere provincialism.

The "new colonialism" after 1945

The re-emergence of sectionalism is not so much the result of the survival of localism as it is of several of the most "forward-looking" trends associated with the postwar boom. At the end of World War II, prevailing opinion called for decentralization of America's industrial plant, a reversal of the pattern of industrial concentration which had relegated both the trans-Mississippi West and the ex-Confederate South to colonial status in the national economy for eighty years or more. There was a substantial movement of industry from the Northeastern industrial belt to the West and South in the 1940's and early 1950's. This represented a decentralization of economic activity — but not of economic power. It consisted mainly of the establishment of branch plants in new communities or the purchase of locally owned small industries by major national concerns. Capital and con-

three of the five Secretaries of War, two of the four Postmaster Generals, three of the four Secretaries of Agriculture, and four of the five Secretaries of Commerce. Two of the four Secretaries of Defense were Southern-born and identified with that section, and two of the three Secretaries of the Interior were Western-born and identified with that section.

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trol continued to be concentrated in the great Northeastern cities, from New York to Chicago. The concentration of control in the New York area was even intensified, as companies which had previously maintained their headquarters in other cities of the Northeast and Great Lakes area, in order to be near their plants, found that they could relocate in or near the "Empire City" and rely on modern communications facilities to maintain contact with an even wider network of field operations.

This spread of industry into previously barely industrialized sections of the country did much to raise the over-all American standard of living, spread the benefits of prosperity to all parts of the country, and create a more uniform society. It also led, in a roundabout way, to a new colonialism – unintended, but in some ways far more insidious than its predecessor in the nineteenth century, because it has not been directly perceived for what it is.

In community after community, in area after area, and even in whole states and regions, management decisions drastically affecting the "little" economies of this country – decisions which had previously been made within the area affected, by people familiar with local conditions, and with at least some concern for local needs – were now made far away in Eastern offices by people who did not even know the communities, states, and regions affected. In many cases a local industry would be purchased by a major national concern with the full, even excited approval of the community involved – but this same installation, transformed into a specialized branch of a large industrial complex, might close down a few years later for reasons of corporate efficiency that had little or nothing to do with the needs of the community affected; its most enterprising personnel would be transferred to other communities. Since this was done by "nameless" corporate managers, in a highly impersonal way, there was no one to blame, in the way the victims of the older colonialism could blame highly visible "robber barons."

It is, of course, true that the smaller locally controlled industries of an earlier period had also been at the mercy of a national market. But what was significantly different then was that the owner-managers of that earlier age had to sink or swim with their communities. They provided a continuing pool of community political leadership that remained at home in good times and bad. The new centralization of economic control, on the other hand, began immediately to drain communities of their best manpower and to divorce the men with local economic power from serious community concerns. The most talented men of the country were rotated from community to community, sinking no roots in any one of them. Even the interests of those who were not transferred were turned away from the local scene. Their ever-present hope was that they would ultimately reach positions of importance in the "national office" – which, in reality,

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meant that their talent would be claimed by the Northeastern megalopolis.

The megalopolitan concentration

A parallel concentration of talent had been developing in government at least since the days of the New Deal. Washington, the southern anchor of the Atlantic coast megalopolis, has always been a magnet for the nation's best political talent. With the vast expansion of the federal government's role in society after 1933, the effects of this magnet were accordingly intensified, attracting very able administrators as well as the politically ambitious. Political and economic power, as well as manpower, have been drawn to Washington in the past generation. Although in many respects this represented "new" power, not hitherto used by government at any level (rather than, as some have argued, a seizure of established powers from the states and localities), its effects on the geographic distribution of power were much the same as in the industrial realm.

The postwar growth of industrial and governmental power in the Northeastern megalopolis reinforced an already great concentration of cultural and intellectual power in the same area. Ever since the beginning of the Republic, this nation's "high culture" had been concentrated in such cities as Boston, New York, and Philadelphia. New York has nearly monopolized the top of the pyramid in the performing arts, and the higher educational institutions considered to be the nation's most prominent are mainly located in the belt that stretches from Boston to Philadelphia. While this concentration was actually greater a generation ago, and continues to be proportionately reduced in a number of ways, its *effects* became more profound after the war, as the role of both artistic and educational endeavors became more important in American society. In an earlier age, most Americans were little influenced either by trends in the arts stimulated in the Northeast or by the activities of academics in the great universities. When neither the artist nor the scholar was considered essential to the development of American resources, their regional concentration had no great significance. After World War II, however, both the arts and scholarship became important to the public because they were seen to be important agents for American growth.

Eastern cultural hegemony

Thus it is really in our own day that the influence of this concentration of academics and intellectuals has begun to be felt beyond the borders of the megalopolis. Opinion leaders in every section began responding to the analyses of American problems published in the Northeast and written by people living in that section of the country.

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Those writers, in turn, have viewed America through the most provincial eyes, even as they have attempted to express the most cosmopolitan ideas. To take one example: the Eastern-based intellectuals, concerned with the problems of urbanization, have seen those problems – which are indeed nationwide – only from the perspective of their megalopolis. The "urban sprawl" which they have persistently attacked may be a real problem in the megalopolis, where limited open space is consumed by large-scale suburban developments. Suburbanization elsewhere, however, where land is relatively plentiful, may mean little in this respect. (Even in rapidly expanding California, urban development takes up but a small share of that state's total land area and wilderness remains available within minutes of downtown Los Angeles and San Francisco.) Similarly the complaints about overlapping political jurisdictions may make some sense when directed toward the continuous belt of urban communities that reaches from New Hampshire to Virginia, where populations do move across state lines daily while commuting to work, but they are not so easily relevant to the problems of metropolitanism in Minnesota or Texas or even Illinois, where "metropolitan" counties can be 1,000 or 6,000 square miles in area. By imputing the existence of the particular problems of the megalopolis to the nation as a whole, and by convincing opinion leaders outside the megalopolis that they had the facts to prove their imputations, they have hindered the development of more appropriate solutions to the problems that do indeed face the metropolitan communities across the Appalachians.

On another level, the Eastern intellectuals are involved in an Atlantic community embracing both "coasts" of the Atlantic Ocean, and they have proposed solutions for our international problems which make that "community" central – forgetting that most Americans, no matter how willing they may be to accept America's international responsibilities, do not feel part of any Atlantic system which embraces Europeans as equal members of their primary political community. These Americans cannot respond to a Europe-centered approach to foreign policy with anything but suspicion. Given no other options to choose from, they grow progressively more hostile to America's continued involvement overseas.

In a less political vein, the opinion-molders of the megalopolis have seen the manners and morals of all Americans only in terms of the manners and morals of their own "sophisticated" environment and speak, write, and broadcast of that way of life as if it, too, were accepted nationwide. At best this has led to the neglect of whole dimensions of American civilization or their distortion through lack of knowledge, sympathy, and perception. At worst, it is leading to a growing alienation of large segments of the American public from the values of intellectual freedom which, to them, have come to symbolize "godlessness," decadence, and immorality.

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The effects of this cultural colonialism might have continued to be minor (after all, Easterners had been thinking and expressing themselves as if they alone spoke for America for generations), or at least might have been confined to a narrow stream of American society, were it not for the emergence of television as the great national dispenser of ideas. The television industry, concentrated from the first in New York, not only projected the Easterners' image of contemporary American society on screens in an overwhelming majority of American homes, but did so with an impact that none of the other instruments of mass communications could match. This became apparent in the purely entertainment and cultural aspects of the medium. It became particularly obvious in the newscasts, where a New York and Washington-centered world was projected daily onto American screens, subtly and even unwittingly reinforcing the Easterners' view that virtually everything that is of continuing importance in America takes place in the megalopolis.

The mask of politics

So it is that, in the decade following the close of World War II, a new kind of colonialism, generally unrecognized, quietly took shape in the United States, strengthening the hand of the Northeast again. In part, this reconcentration of power was masked by the persistence in office of a Democratic administration dominated by a Missourian. It was only when the Republicans regained power that some hints — still generally unrecognized — of the new colonialism began to appear. Dwight D. Eisenhower was himself symbolic of it. A native of Texas, raised in Kansas, his military career had made him an Atlanticist. Moreover, he had already become a resident of the megalopolis and a member of its "establishment" by virtue of his service as president of Columbia University. His long-expressed inclination to retire to the Pennsylvania fringes of megalopolis simply confirmed his new orientation. Only five of the fifteen people who served in his cabinet between 1953 and 1961 were from the South or the West, and, of these, two were conservative Texans chosen in an effort to woo their states into Republican ranks. On the other hand, eight were from the megalopolis proper (several, like the President, being transplants) and two were from the big cities in adjacent Ohio. The Eisenhower administration, by and large, served the interests of the dominant economic forces of the Northeast very well, even as its leader often used the rhetoric of the West and South.

Though the GOP administration intensified the political aspects of the reconcentration, the phenomenon was not a partisan one. Just as the Hoover administration that preceded FDR's New Deal was the first to recognize the New West, so did the Kennedy administration continue and even intensify the pattern set under Eisenhower. Urban,

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"ethnic," Catholic, Harvard-educated, close to the centers of the nation's financial and political power from childhood, Mr. Kennedy visibly surrounded himself with others who fit much the same image. In his cabinet selections, which had to reflect to some degree the delicate political balance of the Democratic party, his secretaries of state and of the treasury, his attorney general, and his first secretary of health, education and welfare were members of the Northeastern establishment at the time of their appointments; four other cabinet members (of the twelve who served under him) were educated in that section of the country. The role of the Northeasterners was even more pronounced in sub-cabinet and extra-cabinet positions, where political pressures in the making of appointments were fewer.

Negative responses in the South and West

While there has been little public discussion of this new colonialism, a subconscious but growing sense that something is amiss has caused ever-greater stirrings in the "colonialized" sections of the country. As befits the new age, these stirrings have not given rise to demands for better sectional distribution of economic benefits – such demands are still heard aplenty, but they represent "old style" issues primarily of interest to old-line business and labor groups and the conventional politicians. Rather, they have focused on the most significant public concerns of our era – the nation's external struggle against Communism, the internal struggle over Negro rights, and *the very character of American civilization itself* – concerns which are not, in and of themselves, sectional ones. The very rise of these issues to a place of first importance in the public eye is an indication that the old, essentially "class" issues of the 1930's, which had mitigated against sectional conflict, were no longer the key issues facing the nation.

The sectionally rooted responses to these new issues have ranged from Southern white racism to Southern Negro civil disobedience, from the radical right of the Southwest to the new left of the Northwest (it is no accident that the Students for a Democratic Society originated in Chicago, Wisconsin, and Berkeley), from Fundamentalist moralism in the Midwest to Hippie communitarianism in the Far West. They have included John Birchism in Utah, Denver housewives revolting against food prices, and near-violent protests against the Vietnam conflict in the San Francisco Bay area. The aforementioned phenomena are not confined to the South and West, but in every case their manifestations have been far more intense in those sections. In none of the sections of the West and South has the response been of a single piece; in every one it has involved both right-wing and left-wing protests that share only a common sense of dissatisfaction with the "establishment" centered in the Northeast.

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A sectional division in the nation's reaction to the Communist problem appeared with the first response to the troubles with Russia in the late 1940's. This division was symbolized by three politicians who rose to the public prominence on the "anti-Communist" issue at that time – Senators Richard M. Nixon of California, Karl Mundt of South Dakota, and Joseph McCarthy of Wisconsin. The "McCarthyist" reaction to the problems of internal security was most prevalent in the "greater West" (from the West Great Lakes to the Pacific) and was, in part, directed against alleged Eastern "internationalist" types who were assumed to be "soft on Communism." Not that a majority of the Americans west of the Great Lakes were supporters of McCarthyism. But the "greater West" did produce the highest proportion of people susceptible to the issues raised by McCarthy's demagoguery. Between old isolationists and economic conservatives who were still reacting against Western domestic radicalism of the previous generation, the area was fertile ground for the promulgation of a conspiratorial view of the world situation.

What survives of the Westerners' original anti-Communism of the 1940's and 1950's has since been transmuted into something far deeper and more serious, particularly in the Far West and Southwest. A relatively straightforward fear of international – meaning European – entanglements has been transformed into a fear for the safety of the country at home. This change was reflected on a sectional basis within the greater West. The original anti-Communism, which had its roots in earlier isolationist impulses, was concentrated in the Northeast, from Wisconsin to Oregon, and among migrants from that section to California (Nixon is a case in point). The new extremism was particularly strong in the Southwest, beginning in Texas and Oklahoma, and among migrants from that section who had moved up the Pacific Coast as far as Washington. A similar feeling of disenfranchisement – of "alienation" from the seats of power – has helped activate potential supporters of militant anti-Communism in that section. These people have felt excluded from influence in national circles and have inferred the existence of some kind of conspiracy in Washington (the "East" again) to exclude "true American patriots" from the seats of power.

Consequently, as the politics of East-West stalemate took hold and dominated the world scene, it became a focal point for new East-West tensions within the United States. It is not just that the greatest concentrations of John Birchers and others of the radical right are in the Southwest and the far West beyond the continental divide. The greater West is also the home of large numbers of solid, sober people who would not normally be considered potential recruits for radicalism of any kind, but who have identified themselves with conservative anti-Communism, apparently attracted by its underlying idea that the people in power in the United States are trying to collectivize

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the country through their domestic policies. Expressions of this central idea vary from the extreme and paranoid to the mildly irrational. But the common thread holding these various views together is a feeling of alienation from an "establishment" which has itself become – in the minds of the anti-Communist right – alienated from the "true" American way of life.

The Southern reaction

The early forms of extreme anti-Communism drew much less of a response in the South. During the height of the McCarthy period, there was a relative absence of McCarthyite sentiment in the greater South, from the Atlantic to Texas -- even in areas that, ten years later, were to be known as centers of right-wing activity. So long as the anti-Communist movement still focused on foreign subversion, the then still prevalent combination of internationalism and conservatism (i.e., anti-extremism), which had formed the basis of the Southern outlook for generations, limited the extremists' appeal. The Southern "way of life" was secure in their section and their leaders were powerful in Washington.

Since 1954, however, a spirit of alienation from the seats of government, coupled with a sense of powerlessness in matters affecting their own future, has grown among the Southern white majority. Most white Southerners believe that the Northern attitude on the race question is basically anti-Southern. Regardless of the validity of these feelings, their very existence has led many Southerners to associate Northern support of the Negro civil rights movement with the threat of national domination by the same "Eastern intellectual crowd" feared by Western rightists. Once this basic premise was accepted, it was an easy step to associate those "anti-Southern" activities with the threat of "international communism" (which is identified with racial integration in any case) and, willy-nilly, with its supporters in "the Establishment." It has had consequences similar to those in the West; "Communism" has become a domestic plot which must be resisted if familiar and time-honored ways are to be preserved.

The meaning of Goldwater

In the wake of still other Supreme Court decisions on censorship, morals, religion, and criminal law, and particularly after President Kennedy's accession to office, the gap between the megalopolis and the rest of the country became publicly apparent. More and more people outside of the megalopolis were attracted to movements which appeared to challenge the Establishment. For most of these people, the radical right was much too radical, attacking as it did not only those Eastern ideas which were foreign to residents of the other sec-

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tions, but also many national ideals held in common by residents of all sections. They sought a more moderate approach – and, for a while, seemed to find it in the person of Barry Goldwater.

Thus, many embattled white Southerners turned to the disaffected Westerners as natural allies in a struggle against "Eastern domination," whereas many of the Westerners, though opposed to the Southerners' stand for racial segregation, showed a willingness to accept such an alliance because of their desire to mount a national movement. Hence the Southern segregationists' interest in Goldwater – an avowed anti-segregationist who nevertheless was ideologically committed to leaving the racial problem to the states – and his interest in the segregationists, whose position he honestly abhorred.

Much of the pre-1964 Western and Southern zeal for Senator Goldwater, who combined in his Arizona background some of the flavor of both sections, can be attributed to this desire for a crack at the seats of power. This zeal led to a rare success – the elevation of an obviously sectional figure as a major party presidential candidate. This is such a rare phenomenon that it had not occurred since the nomination of William Jennings Bryan. Consequently, it was not surprising to discover the Senator's apparent lack of appeal in the megalopolis. Indeed, his appeal seemed to shade off as he moved eastward from Lake Michigan – especially after he suggested that the country would be a better place if the east coast were sawed off and sent out to sea.

By 1963, an alliance of convenience between Southerners and Westerners, a perverse throwback to the age of the populists, seemed to be in the offing. Superficially, there was a resemblance between the two "crusades," one which at first attracted many eager young reformers in the smaller cities and towns of both sections to Goldwater's side. But the superficiality of this resemblance soon became quite clear, at least among the real heirs of the populists in the West. These authentic neo-populists, primarily from the Northwest and the Far West, who supported positive – even radical – programs of local action to improve their world, even as they opposed many of the decisions coming out of Washington and fads coming out of New York, soon became disillusioned with the Goldwater movement – many even before the Arizonian's nomination. They quickly discovered the fundamental difference between their goals and those of the essentially negative "conservatives" who flocked to the Goldwater standard, principally in the South and Southwest, in the hope that he would help them preserve the status quo.

The resurgence of the populists

Goldwater conservatism was the most publicized sectional response to the new era, but it was not the only one and certainly not the one

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with the most authentic claim to the Populist legacy. As the Kennedy administration sank into stalemate in the field of domestic reform, there emerged a new minority coalition in Congress. A dozen or so Democratic senators, most of them from the Northwestern states plus a few others from past strongholds of Southern agrarian radicalism, with scattered allies in the House, effectively broke with their own administration to campaign for new federal regulation and aid programs on the domestic front. Almost unnoticed by the press and the general public, these spiritual heirs of the "sons of the wild jackass" of two generations ago challenged Administration positions on telstar, on conservation, on drug control, on truth-in-lending, on aid to education, and on half a dozen or more other vital issues. Led by Senator Paul Douglas of Illinois, who started in politics in the days of La Follette and George Norris, the group came to include such Senators as Proxmire of Wisconsin, Morse and Neuberger of Oregon, Metcalf of Montana, Burdick of North Dakota, McGovern of South Dakota, and Kefauver and Gore of Tennessee.

Before this new coalition of progressives could make a national impression, Lyndon B. Johnson was elevated to the presidency. Not only was the new President's style different from his predecessor's – reflecting their different sectional backgrounds – but, as the grandson of a Populist legislator, the initial emphasis of his administration differed also. Turning from international to domestic affairs, President Johnson, in an already legendary burst of energy, secured the enactment of most of the programs advocated by the Congressional liberals and progressives – but in forms more closely reflecting the progressive outlook. By removing most of the collectivist and centralist features of the proposed new programs, the President was able to reconcile many Southerners and Westerners in Congress to their necessity.

All this proved to be a major blow to Goldwater's drive for the presidency. President Johnson, a Southerner-cum-Westerner who spoke the language of both sections while standing for its populist-progressive, anti-establishment tradition, served to blunt a drive which had initially gained momentum just because Goldwater had appeared to be the best representative of the interests dominant in the states of the South and West. Senator Goldwater's reaction to the new President was in itself an indication of this fact. The Senator, by all accounts including his own, had a high personal regard for President Kennedy. While he attacked the administration's policies on a wide variety of fronts, he always did so rather good-naturedly. Goldwater's attacks on President Johnson were of an entirely different order. Sharp, slashing, almost vindictive in character, they revealed a basic hostility toward Johnson that far exceeded any of the Senator's other publicly expressed dislikes. There may, indeed, have been many reasons for this difference. But it is at least likely that Senator Gold-

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water viewed John F. Kennedy as an "Easterner," hence one who was expected to hold the "liberal" views he held, but otherwise a likeable fellow. Lyndon B. Johnson, on the other hand, was a "Westerner," who not only should have known better, but who represented a direct threat to conservatism because he offered a potentially acceptable alternative – namely a program based on progressivism, a tradition far more authentic in the West and even in parts of the South than Goldwater's particular brand of rugged individualism.

Some countervailing tendencies

While the political wars began to reflect sectional discontents, some developments were taking place in other arenas to modify the new colonialism. Despite the continued concentration of established economic power in the megalopolis, technological changes were simultaneously leading to the development of entirely new centers of economic power in the Deep South, the Southwest, and Far West and to the reactivation of others in the Northwest.

Federal spending has played no little role in all this. Beginning with World War II, when the creation of the Kaiser empire gave the far West its first real independent heavy industry, and continuing through the development of the space program, whose facilities are virtually all in the South or the West, federal defense decisions have been a powerful countervailing force for economic decentralization. The aerospace industry which, like the aviation industry, originally located in the West for reason of climate, has, with the aid of massive defense contracts, given that region an unexpected industrial growth and a virtual monoply over a major technology of the future. With it have come the electronics firms and military supported "brain" factories which have added another dimension to the economy and more power to the region.

Furthermore, whereas the expansion of commercial aviation immediately after World War II had encouraged a concentration of corporate offices in the megalopolis, the development of the jet airplane in the 1950's had discouraged it. Now, it is possible for such offices to remain outside the megalopolis without being unduly disadvantaged, enabling the new corporate empires with nationwide (and worldwide) interests, headquartered on the West Coast and in the Southwest (such as Kaiser in Oakland or the Murchison interests of Dallas), to grow "on location," and helping Northwestern cities such as Minneapolis and St. Paul, which developed a substantial number of locally based corporations of similar scope one and two generations ago (such as General Mills, Pillsbury, Honeywell, and Minnesota Mining and Manufacturing) to retain – in their capacity as the metropolitan center of the Northwest – their headquarters operations.

By the mid-1950's, the economic and technological factors that

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encouraged the reconcentration of power in the Northeast had reached the peak of their relative strength. By the 1960's these centers had become sources of wealth sufficiently independent of the megalopolis to provide a more stable economic base from which some of the renewed sentiments of sectionalism could be translated into political action.

Some time in the 1960's, Texas and California reached the point where they could begin furnishing an important share of the development capital needed for their own continued growth, so that they could cease relying so heavily on the great money markets of the East. These new centers of capital are not interested in promoting any policy of sectional economic isolation. In both cases, their resources are used not only within those states, but also for industrial development in adjacent ones, and in the national market place, where they add what is rapidly becoming something of a countervailing power to balance Eastern resources. Though there is no clear-cut sectional separation involved – nor is there likely to be – the effect is still to strengthen the hand of the West. Some of the proceeds of this capital are even being used for political purposes, to advance what its holders conceive to be national and Western interests. In the case of many of the Texas oil millionaires, and some of the Western rich in other states, this means financing the radical right and its various organizations. But the left, too, gets some of the money. Henry J. Kaiser and his friends did much to finance political liberals in California two decades ago. More recently, *Ramparts* magazine and its coterie of radicals got its start with funds from a young Bay Area millionaire.

The resurgence of local government

Some tendencies toward the development of countervailing power outside of the megalopolis are beginning to be noticeable in other fields as well. While Washington has continued to be the focal point of American politics, particularly in the all-important realm of international relations, on the domestic front the truly spectacular increase in government activity since the mid-1950's has occurred at the state and local levels. This increased activity has been accompanied by an increase in the complexity of government in the states and in the nation's larger cities, and a corresponding increase in the challenges offered talented men through government service at those levels. These increased opportunities for service, accompanied by improved salaries for state and local public servants, have served to attract better trained, professionally committed men of the highest caliber into the service of governments whose primary responsibilities are to serve the interests of their constituents, whether they coincide with the views prevalent in Washington or not.

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California is a case in point. A state of 19 million people, its government has a population base larger than 80 per cent of the "sovereign" nations of the world. When people – Americans or others – seek to learn about the proper role of government in the successful development of a system of public higher education, or recreation, or metropolitan coordination, they do not seek out experts in Washington or visit the states of the Atlantic seaboard. They go to California. California is exceptional in the range of its governmental expertise, but Colorado, Minnesota, Oregon, Wisconsin, and other states (and their cities) in the same sphere provide similar opportunities on a smaller scale.

Aside from the many other advantages gained, the spectacular rise of the great Western state universities, particularly the University of California, has contributed to the beginnings of countervailing intellectual power outside of the megalopolis through the creation of a cadre of resident cultural and intellectual leaders where none had stayed long before. While many of these intellectuals remain psychologically exiles from the megalopolis, a growing number are products of the section they serve, shaped by the attitudes and values of their lifelong environment, whose contributions to the nation's intellectual and cultural life are in some measure shaped by that background.

Even the mass communications field has been affected by the tendency to develop a cultural base in the greater West. Since the mid-1950's, the television industry has followed the trail blazed by the movie industry a generation earlier and has shifted a large share of its operations to Hollywood. Though control over most Hollywood-produced programs remains vested in New York, a few independent efforts, generated simply by the location of talent on the coast, are also contributing to the rise of the new West.

Similar tendencies are noticeable in the South where greater Miami has become a magnet for capitalists who bring their money with them, transforming the area into the major gateway to Latin America. Atlanta, Houston, and Dallas-Ft. Worth have also emerged as major metropolitan centers and at least the latter two have important capital and technological resources of their own.

New radicalisms and the progressive tradition

Thus the development of a new sense of sectional differences among the publics of the South and West has been accompanied by the beginnings of autonomous sectional economic power, aided and abetted by the emergence of appropriate governmental institutions, supplemented by a growing degree of cultural and intellectual self-sufficiency, and strengthened by a continued increase in population. The real impact of this potentially explosive combination has yet to

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be felt. To date, it has been most vocally expressed through a series of radical attacks on certain American institutions which have been identified with the "Establishment," attacks at first from the right but now increasingly from the left as well. The latter phenomenon represents the latest manifestation of Western dissatisfaction and alienation whose growth is as uncertain as its goals, but whose momentum and symbols are quite visible indeed.

In truth, only a minority of Westerners and Southerners have any particular affinity for radicialism either of the right or the left. At the same time, there is a distinctive approach to social and political reform in the West and, to a lesser extent, the South which has a long tradition of support and success. Western progressivism, with its roots in populism, and its Southern counterpart have contributed much to the continued improvement of American life. Though they differ from each other, both differ from Eastern liberalism in even more significant ways. Populist-progressivism has its roots in the American tradition and makes its claims for reform on the grounds that it is fulfilling that tradition. It has always rejected arguments that either the tradition or its fundamental institutions have become outmoded but, rather, looks upon both as continually viable. Oriented toward the "common man," yet essentially middle class in outlook, with an emphasis on communitarian – as distinct from either individualistic or collectivist – goals, the ideals of Western and Southern progressivism have been embodied in the past in the philosophies and programs of George Norris and Jane Addams, Louis D. Brandeis, and Woodrow Wilson. The differences between Western and Southern progressivism – which should not be underestimated – are mainly over the meaning of the American tradition.

Until the New Deal, the three streams of Eastern liberalism and Western and Southern progressivism were recognizably distinct. Though many of their specific demands were substantially the same, there were very real differences in their respective conceptions of the goals to be attained, as well as the exact forms through which those goals were to be achieved. The Easterners looked to the triumph of reform to bring about such measures as government-assisted unionization of the workers, the institution of social insurance programs geared to an industrial society, and the inauguration of programs designed to improve urban living, primarily in the form of public housing. By the same token, the Southern progressives sought regional redevelopment on the order of TVA to bring relief to the sharecroppers, restoration of Southern productivity, and support for Southern agriculture; health and welfare programs that would serve an indigent population – rural or urban – located in a marginal economic area; and large-scale public works projects to revivify their regional economy. The Western progressives, with their own sectional needs in mind, sought such things as support for the family

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farm, farmers' cooperatives for marketing Western agricultural produce, a new public land and national resource policy, national regulation of the sources of credit and of the means of transportation, the control of the region's waters to prevent flooding and generate cheap power, and better access to the national centers of decision-making in order to utilize the power of government to end Eastern economic "colonialism." In order to gain political power and some measure of success in implementing their respective programs, the three movements united to create a "package" acceptable to all.

By cooperating, all three "branches" of the liberal-progressive coalition did achieve substantial successes, though it took them at least a full generation to learn how to cooperate. Yet, for one reason or another, what started out as cooperation among equals was transformed into cooption by the Eastern wing of the coalition. Perhaps the same forces that stimulated concentration of economic power in the megalopolis also made Eastern dominion over American reform an unavoidable consequence of the success of the movement. Perhaps, as the Western and Southern progressive leaders moved to Washington, they were transformed into citizens of the same megalopolis, leaving their branches of the movement without first-rank indigenous leadership. In any case, as the New Deal passed into history and, in the process, gave birth to the metropolitan frontier, the older coalition gave way to contemporary liberalism, whose ideas became the hallmark and the standard for publicly articulate "liberals," regardless of section.

Liberalism versus progressivism

The ascendency of Eastern liberalism was in itself an indication of the submergence of sectional differences on the economic front (at least in the minds of liberals) and their transformation into liberal-conservative differences on the political and social fronts. Thus the Southerners' involvement in the racial issue, the strong Western bent toward conservatism indicated in the 1960 and 1964 presidential elections, and the apparent absence of distinctive progressive voices from either section, seemed to indicate the disappearance of Western and Southern progressivism as independent forces. Neither section had to be written off by the liberals, but in both it was expected that the local liberals would follow the lead set by their Eastern counterparts. Even when liberal voices were heard from those sections, they appeared to be pale imitators of their Eastern leaders, not independent contributors to American reform in their own right. In effect, the advocacy of sectional interests appeared to have been abandoned to the right wing, which was fast becoming the voice of the South and West by default.

The elevation of Lyndon B. Johnson to the presidency opened the

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door for the revival of those other voices of reform for the first time in over a generation. The new President himself had suffered from the public eclipse of both Southern and Western progressivism. The leading spokesmen for the nation's mass media – who almost invariably reflect the attitudes (and liberal ideology) of the megalopolis – spent the ten years before 1963 discussing the "enigma" of Lyndon B. Johnson, showing considerable puzzlement over his apparently "contradictory" behavior as a public figure, sometimes supporting "liberal" measures and sometimes behaving as a "conservative." The enigma was of their own creation. Expecting all progressives to behave like Eastern liberals, they could not fit Mr. Johnson into their standard mold. In point of fact, the new president had been a progressive ever since he entered politics *before* the New Deal. His progressivism is a product of west central Texas, one of the bastions of the Populist movement in its heyday, a region characterized as the place where the Western and Southern progressive traditions met. As a progressive, Mr. Johnson did not conform to the patterns of megalopolitan liberalism, but was not one whit less a part of the American reform tradition for that. Unfortunately, for all his real accomplishments in implementing a domestic program that well reflects almost all the traditional progressive concerns, the President has failed to articulate the premises on which his program is based; hence his motives and goals have been frequently misinterpreted.

Not that he has not tried to make his position known; in his early days in office, President Johnson's public pronouncements were all in the direction of identifying himself as a progressive (and separating himself from the traditional liberals). Those who doubt this should reread his important early speeches with at least minimal attention to his words. His first "State of the Union" message set forth his progressive program in so many words while his inaugural address was a clear expression of its theoretical basis. His essay in the *Texas Quarterly* and his speeches on FDR and civil rights, which were made available in paperback shortly after his accession to the presidency, elaborate on the same theme.

The President's practical program before his preoccupation with Vietnam was equally revealing. His intense concern with domestic problems, particularly the problems of poverty and conservation – both traditional progressive concerns – is of a piece. His continued references to creative federalism – expanded cooperation between the states and the federal government in meeting the nation's domestic problems – reflect the progressives' normative concern for the maintenance of the federal-state partnership characteristic of our system of government. The kind of economy drive he initiated in the early days of his presidency gave formal recognition to a characteristic of the progressive tradition, which never accepted the doctrine that positive government action could be measured by the free expendi-

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ture of public funds. Mr. Johnson said as much while serving in the Senate.

Progressivism, radicalism, and the future

In those early days of his administration, there was even reason to believe that the President's drive for "consensus" was based on a profound if intuitive understanding that national harmony must be based on a recognition of legitimate sectional differences and aspirations. His attempt to recognize those differences and meet those aspirations no doubt contributed to his unpopularity with the Eastern "establishment" – an unpopularity based on misunderstanding of the man and his style. But the attempt itself has been half-hearted. For the President has failed to reach those who must convey and interpret his words to the larger public, just as he has failed to reach the "establishment" intellectuals. Indeed, he seems to have given up the attempt. Since his 1964 triumph, his pronouncements have come to sound less original and increasingly conventional – i.e., in the same old liberal pattern – with no appreciable improvement in his public relations.

Meanwhile, the rise of the Vietnam issue to its present all-embracing position has undercut the President and his progressive programs. In the first place, it has deflected him from domestic concerns where he, like all progressives, has always been strongest. This, in turn, has led to the breaking up of the progressive coalition he had begun to forge in Congress. Shortly after he took office and began his drive for the "Great Society" programs, the bloc of progressives that had emerged in the Kennedy days found themselves in the center of the action, supported in achieving their goals by the White House and, through such progressive leaders as Vice President Humphrey (Minnesota), Majority Leader Mike Mansfield (Montana), and his second in command, Russell Long (Louisiana), in substantial control of the Senate. Men such as Paul Douglas and Wayne Morse found themselves in close communication with the White House for the first time in over a decade. Progressive sub-committee chairmen began having a real impact on legislation embodying their programs.

But, as the administration began to escalate American involvement in the Vietnam war, many of the progressives moved into sharp opposition to the President and his policies. Of the original opposition group that emerged in the Senate, over 80 per cent were from the states of the Northwest and another 10 per cent or so were from the progressive South. The roll call is impressive: Morse (and later Hatfield) from Oregon, Church of Idaho, Mansfield and Metcalf of Montana, Burdick of North Dakota, McGovern of South Dakota, McCarthy of Minnesota, and Nelson of Wisconsin coupled with Fulbright of Arkansas and Gore of Tennessee. Most of these men

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have taken the lead in speaking out against American intervention primarily because of their view that America must always stand "as a city upon a hill," maintaining its moral position as a world leader by proper conduct abroad and through continued domestic reform at home.

Though they are presently distracted by foreign affairs, those progressives' first love remains domestic reform. They will return to it, given the first opportunity. Several of them have important new ideas for the improvement of American society, ideas which grow out of their own tradition. It may well be that the Vietnam experience will help these progressives find their own voice as a national political force and, by doing so, present the country with some badly needed new policy alternatives to meet the grave problems confronting us all.

Meanwhile, radicalism in the West has also been turned in new directions by the Vietnam war. While anti-war protests occur nationwide, the new left in the West was the first to connect the anti-war movement with the demand for radical reordering of American society in its entirety. More recently, it has been the first to move from demonstrations to resistance. Its view of the "Establishment" is as hostile as that of the radical right and, for the moment at least, is expressed far more actively.

The facts of the appearance of the new sectionalism in the political arena are hardly in doubt. The only question is whether it will manifest itself in radical or progressive or reactionary ways. The competition has already been joined. As a consequence, the nation as a whole may be in for a rather sensational epoch of ill will.

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CURRENT READING

Why "Ché" Guevara Failed

The following is exerpted from an analysis of "Ché" Guevara's failure in Bolivia, published in *The New Society* (London). It is written by Claudio Veliz, of the Instituto de Estudios Internacionales, University of Chile. The analysis is all the more interesting in that Dr. Veliz is himself prominent among left-wing thinkers in Chile.

> . . . The same world-wide publicity which fortunately helped to save the life of the young French journalist, Régis Debray, has served to distort what is going on in Bolivia into an over-simplified confrontation between good and evil: on one side a tyrannical, unpopular military dictatorship, on the other, a band of dedicated, heroic freedom fighters. This is simply nonsensical. Although General Barrientos is hardly a model democrat, he enjoys a fair degree of popularity, is clearly identified wtih the people of Bolivia (he is one of the very few political leaders who can speak *quechua*) and in spite of some bizarre outpourings which have not added to his stature as an international statesman, he must be satisfied with the knowledge that the Bolivian economy is one of the fastest growing in the continent. No doubt it has a long way to go but it is certainly not stagnant; it is quite unlikely that either the political or the economic situation will deteriorate sufficiently to bring down the regime. . . .
>
> Also, sufficient attention is not paid to the fact that Bolivia has already had a massive popular revolution which, triumphant in 1952, implemented a number of impressive changes over the following decade. Many of these proved abortive and some sectors – like the miners – emerged utterly frustrated after the experience; but the redistribution of land was carried forward with determination and a new class of small peasant proprietors was formed. These are now beginning to enjoy the limited rewards of secure land ownership and are hardly in the mood to risk their lives to help a band of guerrilla fighters whose declared objective is the creation of another Vietnam in the Latin American hinterland. . . .
>
> Lack of determined popular support would not be decisive if the guerrillas were facing a corrupt, inefficient and discredited regular army – as in Cuba. In Bolivia, however, the traditional army was dissolved by the revolution of 1952 and reformed into a tightly organised, well trained, professional corps which has already been in battle against the miners at least a dozen times in the last few years. . . .
>
> But the fundamental error of the guerrillas has less to do with the

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particular situation inside Bolivia than with the theory of revolution developed by Ernesto Guevara and to which Régis Debray has added a good deal. This theory is securely based on Guevara's experiences with the Cuban revolution, an event whose uniqueness is becoming every day more apparent. After allowing for the audacity, personal courage and imagination of Fidel Castro and his small band of revolutionaries, adequate consideration must also be given to the fact that he led a national, popular uprising against a discredited and inefficient dictatorship; this movement was strongly supported by the urban bourgeoisie and, perhaps most important, also by the United States. In fact the collapse of Batista's regular army can at least in part be attributed to the demoralisation of the officer corps which followed the announcement of the United States's embargo on arms shipments for the dictator.

Such conditions are not even remotely found elsewhere in Latin America, nor will circumstances favour a similar pattern of indirect intervention by the United States, as events in the Dominican Republic showed very clearly. Yet, carried away by an understandable enthusiasm, Ernesto Guevara abstracted from this experience, and projected for the whole of the continent, a revolutionary scheme which he was personally prepared to lead. The theoretical framework he devised, duly institutionalised at the meeting of OLAS in Havana this year, starts from the dual premises that the world capitalist system is about to collapse due to internal contradictions and that the traditional "revolutionary" classes, especially the national bourgeoisie, are incapable of fulfilling their role as the anti-imperialist, reformist vanguard of a popular revolutionary movement. . . .

[I]t is the second premise that presents the most vulnerable position of the new revolutionary theorists. To begin with, the vast peasant masses referred to in the writings of Guevara and Debray are not all that massive. Most of the population of Latin America is urban (and of its urban population, a greater percentage lives in cities of 100,000 or more than is the case in Europe) and the rural population is dispersed thinly over an immense area. In the whole of Asia, population density is approximately 80 per square mile; in Latin America about 15 and in South America alone, just over seven. Subtracting the urban component leaves very few peasants spread over an enormous territory. The possibilities that such a dispersed rural population could become an effective political force are remote.

Further, the organised industrial workers in Latin America constitute a true "aristocracy" of labour with relatively high wages and a position of dependence or close association with the central state or its welfare agencies. They also participate to a considerable extent of the social aspirations of the lower middle class; have strong representation in the established political parties (including the orthodox Communist Party which is staunchly opposed to the guerrillas) and are generally most unlikely to sympathise with the advocates of guerrilla war.

With the exception of the miners who – as Debray points out – can easily be controlled by regular army forces because of their isola-

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> tion, there appears to be no major social group objectively interested in supporting Ernesto Guevara's scheme and its impact so far has been greatest among a handful of intellectuals with a motley following of men whose common denominator seems to be a romantic attachment to the idea of regeneration through violence. . . .

Vietnam — And the Breakdown of Political Consistency

Every political scientist knows that, with some exceptions, domestic political attitudes tend to cluster along predictable lines: most workers and urban Catholics vote Democrat, most upper-middle class persons and rural Protestants (except in the South) vote Republican, etc. And most practical politicians, knowing all this as well, if not better, take these facts of life into account in making their calculations.

But do such "traditional" political alignments also determine attitudes toward foreign policy, particularly Vietnam? Do workers, for example, go along with the A.F. of L.-C.I.O. hierarchy in supporting President Johnson? Are farmers against the war in Vietnam because it is being conducted by a Democratic administration? The answer, according to an article in the June 1967 *American Political Science Review* by seven young political scientists, is that *none* of the standard variables is of much use in predicting or explaining the differences of voter attitudes on Vietnam. Reporting on a study in which they attempted to probe somewhat more deeply into public attitudes on the war than have the usual newspaper surveys and commercial polls, they report:

> A major finding is that though the preferences of respondents have internal structure, they are not related to the broad social groupings around which political and social attitudes often cluster. Variables of social status — occupation, income or education — do not relate to policy preferences on the Vietnamese war; nor do such variables as religion or region. (The latter makes some difference, though not much.) In addition, party affiliation does not relate to party preferences; a fact that illustrates why it is difficult to make foreign policy the subject of political campaigns.

Two small differences do stand out: women are somewhat more in favor of de-escalation than men, and Negroes more than whites. The first finding is consistent with the general fact that women tend to be more opposed to such things as capital punishment or universal military service. About the second, the authors state that the racial pattern is not "a social class phenomenon in disguise" but arises, probably, from the fact that the American Negro has become more alienated from the society.

One other striking finding is the lack of difference between "elite" and "mass" opinion. As the authors write: "When it comes to policy preferences on the Vietnam war, the average citizen can receive little guidance from the ordinary reference groups that help him to pattern his attitudes." Their findings indicate that the shape of opinion "differs little between levels of society . . . It is perhaps a token of

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the complexity and ambiguity of the war in Vietnam that the informed and articulate (on our simple measures) do not differ from the rest of the population in their preferences or in the likelihood that they take either extreme or moderate positions.

One reason for all this is that at the time the survey was conducted, in early March 1966, there was large agreement by the population. "Few respondents could be called 'hawks' or 'doves'; rather they took more moderate positions somewhere nearer the center of the spectrum." An overwhelming majority (88 per cent) expressed willingness to negotiate with the Vietcong and a similar majority (81 per cent) opposed the withdrawal of our troops "tomorrow." Yet, as the authors point out, the two policies are not in conflict, for "negotiations do not necessarily imply precipitous withdrawal."

The final conclusion of the authors is that public opinion "does not seem to possess much potential for controlling or limiting the alternatives of the administration." The country is completely perplexed. It does want "something" to happen. But whether this "something" would be support for all-out bombing or for immediate withdrawal is not clear from the results. If one can hazard a guess – beyond what the authors have written – it would be that the longer the war goes on and the deeper the American commitment, the harder it is for the Administration, at least the present one, to withdraw as against pressing for a stronger war. And that the public's attitude toward this fact, too, would cross traditional political lines.

Why Some People Don't Vote

A dozen or so years ago, V. O. Key raised the question as to why some people don't vote: "A major question posed by the trend of voting [in the United States presidential election] is why the decline in electoral interest since the 1890s. The blunt truth is that nobody knows the answer. A frequent explanation has been the enfranchisement of women in 1920 brought into the electorate large numbers of persons not in the habit of voting. Yet popular interest began to shrink before the adoption of the women suffrage amendment."

In the June 1967 issue of the *American Political Science Review*, Stanley Kelley, Jr., Richard E. Ayres, and William G. Bowen, after some meticulous comparison of all the available data, come up with a relatively simple answer: cumbersome registration procedures in many states restrict the size of the electorate. The authors write:

> In the latter half of the nineteenth century, when the turnout of eligible voters was between 75 and 85 percent, voters were not required to register in many parts of the country, and in many places where they were, there were systems of automatic registration. In the period from 1896 to 1924, when the turnout declined almost steadily, state after state enacted registration laws which typically required registration annually and in person of all voters in the nation's largest cities; the registration procedures of this era have been described by one student of registration practices as "expensive, cumbersome and

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inconvenient to the voter." In the period from 1924 to the present, during which time the turnout has gradually risen, more and more states have been liberalizing their registration laws, particularly as these apply to the larger cities. In short, turnout in presidential elections in the United States may have declined and then risen again, not because of changes in the *interest* of voters in elections, but because of changes in the *interest demanded* of them.

For those who talk of the need for "long-range programs in civic education . . . to draw people into the orbit of political life," the title of the article, "Registration and Voting: Putting First Things First," suggests the answer. The analyses the authors make show how the composition of the electorate and the degree of competition between the parties can be "rigged" by the nature of registration procedures.

> Within limits [the electorates] can be constructed to a size and competition deemed desirable by those in power. Our matrix of simple correlations, for instance, shows a definite association between restrictive rules and procedures for registration and limited competition between major parties in the states in which the cities of our sample are located. Presumably, it is easier for a party in power to pursue a restrictive policy toward registration if the opposition is weak. . . . While the abilities of Southern politicians to construct electorates have long been appreciated, relatively little curiosity has been shown about any similar endeavors on the part of their Northern colleagues. It seems unlikely that the latter, any more than the former, have always acted without design in establishing rules for registration.

A Home Where the Buffalo Roam . . .

In the mythology of the times, America may be becoming a "nation of cities," but the overwhelming majority of Americans want to live well out from the metropolitan center, desire — and try to get — single-family detached homes, and don't mind the travel to work. These were the findings of a study last year completed by the Survey Research Center of the University of Michigan.

> Eighty-five per cent of the families said they would prefer to live in a single-family house rather than in any type of multiple dwelling or attached home. And the higher the family income the more likely the family was to live in an individual home. The survey found in its samplings across the country that 90 per cent of those with family income over $15,000 a year lived in single-family houses.
>
> The report showed that most people preferred a location well out from the center of a metropolitan area. Only 15 per cent of the families interviewed said they preferred a location close to the metropolitan center. Taking where they live now as a reference point, 25 per cent said they would like to live farther out and only 9 per cent said they wanted to live closer in. About four of ten families would prefer a home in the country to one in the suburbs.
>
> About 5 per cent of families in metropolitan areas own vacation

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homes, the survey found. The average distance to these homes was about 100 miles, and most of the owners made more than 15 round trips to them a year. Of families with incomes above $15,000 a year, 15 per cent now own vacation homes and about 9 per cent more plan to buy one.

About nine out of 10 of the working members of the families interviewed said they preferred driving to work, although public transportation was available to about half of them. The average journey to work was about five miles.

The "Bigness" of Small Business

"Historically, one of the best signposts for the future direction of the economy has been the index of net business formation – an index that takes note of both business starts and failures. The . . . National Bureau of Economic Research, which has studied business cycle indicators for more than 40 years, considers the index of net business formation one of the top 12 'leading' indicators for the economy. These leading indicators, though far from infallible, show a persistent tendency to turn up or down sooner than the general economy.

"In the 10 turnabouts in the business cycle since 1945, the index of net business formation has led 8 of the turns. . . .

"The following table sums up, for selected years, what's been happening in the vital statistics of American businesses.

YEAR	NEW BUS. INCORPS.	NUMBER OF FAILURES
1950	93,000	9,162
1960	183,000	15,445
1963	186,000	14,374
1965	204,000	13,514
1966	200,000	13,061
1967	207,000	12,364

"When the Commerce Department stopped keeping track of the business population in 1963 there were 4.8 million operating concerns in the nation. Dun & Bradstreet's list of businesses, which excludes real estate firms, barber and beauty shops and some other kinds of enterprises, totals about 2.5 million concerns. Based on D&B's yearly list, the number of failures per 10,000 firms dropped to 49 last year from 52 in 1966 and 57 in 1960. In the Depression year of 1932, the failure rate was 154 per 10,000 businesses listed. . . .

"[D]espite all the preoccupation with Big Business, the little entrepreneur remains a mighty engine in economy. The [e]ating and drinking establishments alone [make up] 352,000 [firms] in the U.S., employing 2.2 million people and ringing up total annual sales of $26.3 billion. Another way of measuring the collective size of smaller businesses: The largest 800 American companies, as measured by Fortune magazine, employ only 24% of the nation's nonfarm workers.

– *Wall Street Journal*, February 12, 1968

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Student Power

"Under a law passed in 1960" the students in Cuzco University in Peru, reports *The Economist,* "have the power to fire their teachers by a simple majority vote within the college; students and faculty members have equal voting rights in administrative councils. In most Peruvian universities the student body is dominated by communist factions (although elsewhere in Latin America, notably in Venezuela, the Christian Democrats have been gaining a lot of ground at campus elections.) For the lesser political faithful at Cuzco there is a 'scholarship fund' administered by the student federation which doles out $30 monthly to *cholo* sons of farmers and workmen. . . .

"This power granted to the students has led to a system of bribery, both with money and with high marks, by faculty members.

" 'I am now correcting exam papers,' said one Cuzco professor, 'and at least half of these poor bastards deserve to fail. They don't know anything and they don't come to class. But if I failed them they would fire me. Believe me, I take a great risk in flunking 10 per cent of my students, which few other professors would dare do.' "

The Higher Education in California (Age of Reason)

The following is excerpted from an article by Professor Gerald Farber of Los Angeles State College, in *The UCR Highlander,* published at the University of California at Riverside. The title of the article is "The Student Is a Nigger."

> Students are niggers. When you get that straight, our schools begin to make sense. It's more important, though, to understand why they're niggers. If we follow that question seriously enough, it will lead us past the zone of academic bullshit, where dedicated teachers pass their knowledge onto a new generation, and into the nitty-gritty of human needs and hang-ups. And from there we can go on to consider whether it might ever be possible for students to come up from slavery.
>
> First, let's see what's happening now. Let's look at the role students play in what we like to call education.
>
> At Cal State L.A., where I teach, the students have separate and unequal dining facilities. If I take them into the faculty room, my colleagues get uncomfortable, as though there was a bad smell. If I eat in the student cafeteria, I become known as the educational equivalent of a nigger lover. In at least one building there are even rest rooms which students may not use. At Cal State, also, there is an unwritten law barring student-faculty love-making. Fortunately, this anti-miscegeneration law, like its Southern counterpart, is not 100 percent effective.
>
> Students at Cal State are politically disenfranchised. They are in an academic Lowndes County. Most of them can vote in national elections — their average age is about 20 — but they have no voice in the decisions which affect their academic lives. The students are, it is true, allowed to have a toy government of their own. It is a

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government run for the most part by Uncle Toms and concerned principally with trivia. The faculty and administrators decide what courses will be offered; the students get to choose their own Homecoming Queen. Occasionally, when student leaders get uppity and rebellious, they're either ignored, put off with trivial concessions, or maneuvered expertly out of position.

A student at Cal State is expected to know his place. He calls a faculty member "Sir" or "Doctor" or "Professor" – and he smiles and shuffles some as he stands outside the professor's office waiting for permission to enter. The faculty tell him what courses to take (in my department, English, even electives have to be approved by a faculty member); they tell him what to read, what to write, and frequently, where to set the margins on his typewriter. They tell him what's true and what isn't. Some teachers insist that they encourage dissent but they're always jiving and every student knows it. Tell the man what he wants to hear or he'll fail your ass out of the course. . . .

What Sexual Revolution?

Most people believe that America, especially its college youth, is going through a "sexual revolution." There seems to be a tremendous increase in premarital sexual relations, the abandonment of old reticences to talk about sex openly, and a marked change in the laws about pornography, nudity and sex in books, movies, colleges, and public life.

Yet, whatever increased public *attention* there may be to sex, *there is no hard evidence whatsoever,* write Robert V. Sherwin and George C. Keller, "that there has been anything amounting to a revolution in American sexual practices, attitudes or legal codes in the past several decades." Their report – the senior author is a lawyer, an authority on laws relating to sex and administrative director of the Society for the Scientific Study of Sex and his collaborator an official of Columbia College – entitled "Sex on the Campus," occupies most of the Fall 1967 issue of *Columbia College Today.*

The most important fact, the authors point out, is that there is "pitifully" little information about human sexual behavior that allows one to gauge its range and extent. The language itself is quite inexact and ambiguous. Although "there may be over 50 million acts of sexual intercourse in the world daily, the English language possesses no socially acceptable verb for the act of coitus. The verb 'copulate' comes close, but it does not necessarily imply vaginal penetration, only a union of coupling *with* someone." The difficulty of description itself thus hinders the collection of accurate data.

Then, too, the definition of the sexual act is a further complicating problem. Is a girl who engages in heavy petting, including orgasm, but without being penetrated still a virgin, while a quiet lonely girl who has had one furtive encounter of actual intercourse "not." This is further compounded by William Masters and Virginia Johnson's argument in *Human Sexual Response* (1966) that the femal orgasm is largely a matter of clitoral, not vaginal stimulation.

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Given all these problems, the authors have scoured the literature and, in addition, conducted interviews on several college campuses to come up with the following conclusions:

First, All the evidence indicates that there has been no radical increase in the incidence of premarital relations in America in this century.

> The closest thing to a "revolution" is the substantial rise in *female* involvement that occurred in the 1920's. While male participation has apparently climbed slowly from roughly 55 percent at the turn of the century to over 65 percent in the 1960's, female premarital activity was a relatively low 30 percent or so around 1900 but jumped to over 50 percent in the 1920's, where it has remained approximately to this day. The strong feminist feelings of the 1920's were apparently expressed in sexual terms by many women.
>
> Of great importance is that a major portion of premarital sex, particularly among college students, occurs among *engaged* couples intending to marry. For example, nearly half of all women who have premarital intercourse do so *only with their fiances* or persons they eventually marry. . . . The engagement period has become, in effect, a trial marriage among a greater number of people. . . . Also of importance is the evidence that only two-thirds of the males and one-half of the females who engage in premarital coitus are under 20 years of age or teenagers. A high proportion of premarital sex is done, therefore, by *consenting adults*, not just experimenting college students and adolescents. Contrary to popular beliefs, about 40 percent of all American male college students and over 55 percent of the coeds still graduate as virgins, according to most indications.

Second, education and socioeconomic position, not religion or geography, are the major determinants in American sexual behavior. Those in the upper socio-educational level are astonishingly different – one might say almost a world apart – in their sexual practices from those in the lower socio-educational level.

> Upper level young people are much less sexually active, but they pet more. They tend to reserve sex for someone for whom they feel affection. Their sexual play usually has more prolonged foreplay, a greater readiness to use a variety of coital positions, a higher incidence of oral-genital contact. The males tend to treat women more as equals, and women tend to take a more active role, with the result that females at this level have a greater frequency of orgasms. Possibly because of the greater number of sexual postponements, masturbation is higher; college men masturbate twice as often as those with only a grade school education. . . .
>
> Persons at the lower socio-educational levels have a radically different style. The frequency of male premarital sex is much higher; nearly one half of the boys who do not go to college have intercourse by the age of 15. Many fewer females participate, but those who do, do so with greater frequency. Persons at the lower level, especially the males, tend not to see sex as having a close relation with affection or

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love. They are usually impatient with mere petting. Among this group sexual play has greater simplicity and directness; there is less foreplay, less variety, greater speed. It tends to be male-oriented and women at this level experience fewer orgasms and less emotional satisfaction. Masturbation is lower, but homosexuality, especially among high school graduates without college education is higher. . . .

Third, since 1900 there have been two noteworthy changes in sexual behavior:

a slight increase in extramarital intercourse and a marked increase in the quality of marital sexual life. About 35 percent of American married males have had an adulterous encounter, compared with perhaps 25 percent in the 1920's. Less than 10 percent are *regularly* adulterous though. Among married women the figures are still lower: around 15 percent have had coitus outside their marriage, and very few of them regularly. Adultery is not widespread in America, or increasing rapidly. Both men and women have more premarital intercourse in the few years prior to marriage than they have extramarital intercourse in the 40 years after.

As for the quality of sexual life inside marriage, there seems to be a change toward much less frigidity and impotence. The satisfaction of females especially has increased substantially. Female orgasm was an unusual thing in the first quarter of this century. . . . As late as 1948, according to Kinsey's figures, 10 per cent of American married women had *never* had an orgasm. This percentage is probably lower now because the feeling that women have a right to satisfaction is spreading, partly as a result of higher education levels. . . .

Fourth, there has been some change in sexual attitudes, but no real "revolution." If anything, what has happened is that attitudes which were once held privately are now discussed openly. This new frankness is most apparent in language and characteristics. Boys and girls in college who used to refer to each other

and their friends principally in terms of their geographical background, religion, color, nationality, career aim, character structure, or personality — "Californian," "Baptist," "Oriental," "Swede," "scientist," "square shooter," or "good-time Charlie" — now more frequently refer to each other in terms of their sexual attitudes and behavior — "livewire," "swinger," "gentleman," "slut," "cold fish," "Casanova," "tease," "animal," "wolf," "square," "sex fiend." . . .

As a result of the greater frankness of discussion there is a growing sense among parents, the press, and the students themselves that much more is happening than ever before. The change in *attitude* is mistaken for the change in *behavior*. Among the college girls we interviewed, two-thirds of whom were virgins, nearly all of them believed that "most" of the other college girls were engaging in intercourse and many of them guessed that between 10 and 20 percent of their college mates were promiscuous. (Less than 2 percent of the college students actually are promiscuous, even at the most notoriously "liberal" institutions.) . . .

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And We Didn't Know They Cared . . .

"The cry of 'smash the officials' echoes through the ages of China's agrarian rebels, shouting 'injustice' against the cities. The key slogan of the Red Guard movement is: 'Root out self-interest, establish the public interest.'"

— *New Society*, January 25, 1968, p. 125

The World of Work in 1984

What will be some of the major features of work in 1984 and beyond? Three dimensions were recently projected by Herbert Steiner, an economist for the W. E. Upjohn Institute in a paper for the 75th anniversary American Psychological Association Convention in Washington, D. C., in September 1967. Steiner says:

The hours of work will *not* go down substantially.

A new occupational grouping, already visible — the "professional support person — will expand considerably.

The expansion of the service economy will continue steadily.

Here is some of the evidence Steiner adduces:

> In 1984, how many hours will people work and what will they work at? Most of those in the business of predicting such things have been talking about increased leisure time for the last five or six years. Thirty-six or thirty-two hours, or as few as twenty, are to become the new standard! As for myself and many of my colleagues, I must lament over the fact that we appear to be going in the opposite direction. But, even more lamentably, I look at "Gross Average Weekly House of Production or Nonsupervisory Workers on Payrolls of Selected Industries" only to find that they too are working longer than ever. In 1956, when the level of unemployment in this nation was around four percent, about the present level, the gross weekly hours worked in manufacturing was 40.4. In 1966, it was 41.4. The same figure in 1956 for mining was 40.8, and in 1966 it was 42.6; in contract construction, in 1956 and 1966, the gross average weekly hours remained 37.5.
>
> To further muddy this picture, with all the attendant problems of people having to choose between boating, home hobbies, or just "potting" around, we find that as productivity goes up, people seem to choose to work overtime. Between 1956 and 1966 in the manufacturing, durable, and non-durable goods industries, overtime work has gone up by about 40 percent!
>
> I would say that the insatiable appetite people are supposed to have for new goods and services really does exist. Given the expanding horizons for international travel, more education, better home and cars, and all of the secondary needs that go along, I doubt that there will be much lowering of this appetite in 1984.
>
> There is one additional fact which must be considered when we con-

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jure up an image of an overflowing horn of plenty pouring out more goods with fewer hours worked. This is that the absolute numbers of production or blue collar workers have grown less rapidly in our economy, while there has been a sharp relative and absolute growth in non-production workers in industry, and more than that, the ratios of supportive, maintenance, and similar types of workers to *professional staff* have changed radically. In 1938, there was one laboratory assistant to six professional scientists. By 1955, this ratio had changed to a one-to-one relationship. . . .

Interestingly, this has come during a period of major purchases of capital equipment which presumably represented an automation of services. But on a closer, more detailed examination of "automation" equipment, one discovers that an important portion represents new services, which in turn require more maintenance and supportive personnel. The St. Francis General Hospital in Pittsburgh installed a new heart-lung machine, representing a new service. But this equipment called for the hiring of two technicians, a clerk, and two physicians. New surgical techniques do the same. One new type of brain operation may require a team of 15 physicians and technicians, plus the new equipment. The equipment in turn calls for additional hours of maintenance, above and beyond its original production personnel. In the field of education, the increase in the numbers of teachers is well known, but in the last several years, new para-professional, supportive jobs have been developing. At present, 80,000 teacher aides are at work in U. S. schools. This represents an 800 percent increase since 1960, and educators estimate there will be 175,000 by 1970. . . .

Jobs in our 1984 economy would seem to call for over 60 percent of the total labor force in the services sectors, less than 30 percent in manufacturing, and the balance in mining, agriculture, and unemployed. Currently, about 55 percent are in the services sector with about 35 percent in manufacturing. This is a major shift with tremendous implications for education, life-styles, and basic values.

Family Size and Poverty

That the poor have more children than the rest of us, and that they would be less poor if they had fewer children, is not a new discovery. Yet, as a practical matter, our poverty programs continue to concentrate their efforts on increasing the incomes and earning capacity of the poor on the assumption that only when this has been done can we expect family planning to prove effective, because only then will there be reasonably stable families to plan for.

But what if family size is itself a *cause* of poverty? A recent study prepared by Dr. Harold L. Sheppard of the W. E. Upjohn Institute for the Senate Subcommittee on Employment, Manpower, and Poverty presents some remarkably persuasive evidence that this is the case and that "it is not sufficient to wait for other social and economic processes to bring about a growth in income in order to reduce family size. Family planning, or birth control, can be effective in treating conditions for increased income – for taking people out of poverty."

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Dr. Sheppard's figures are certainly dramatic. Whereas only 11 per cent of families with one or two children are poor, the proportion goes up to 43 per cent for families with six or more children. That 20 per cent of all children under eighteen belong to poor families compared to only 12 per cent of all persons eighteen or older, reflects, at least in part, the higher birth rate among the poor.

What is especially disturbing about this disproportion of poverty among children is that it is especially marked among nonwhites (mainly Negroes). More than half (53 per cent) of nonwhite children are poor, compared to only one-third (33 per cent) of nonwhite adults. Moreover, while the number of poor white children declined between 1959 and 1964 – from 11.1 million to 9.1 million – the number of poor nonwhite children actually increased slightly. This, in spite of the fact that the number of *adults* in poor nonwhite families declined by 10 per cent. "The crucial point," Dr. Sheppard observes, "is that progress in the reduction of the incidence of poverty among nonwhites may be retarded by the preponderance of large-size families. Between 1959 and 1964, the incidence of poverty was reduced at the rate of 22 per cent for nonwhite families in general. But among nonwhite families with only one or two children it was reduced by 26 per cent; among families of three or four, by 19 per cent. Contrary to this *downward* trend for smaller sized families, poverty among nonwhite families with five or more children actually *increased* by 7 per cent."

That is not all. "There is some further evidence suggesting that were it not for family size, many poor nonwhite families would not be in poverty." As an example, Dr. Sheppard cites the 373,000 nonwhite, nonfarm, male family heads aged twenty-two to fifty-four who are classified as poor, even though they were fully employed in 1965. Dr. Sheppard points out that the average family income of this group was actually *higher* ($3,000) than the comparable average income for the white poor ($2,428). Since the "poverty line" for nonfarm families with male heads varies with the number of family members (from $2,505 for a family of three to $5,212 for a family of seven or more), Dr. Sheppard concludes that "one of the major explanations ... must be that family size is larger among nonwhites, and therefore, pulls them down into the poverty category."

Most persuasive of all is the evidence Dr. Sheppard has marshalled that one's chances of breaking out of the cycle of poverty are greatly diminished if one has the misfortune of being born into a family that is not only poor, but large. To the extent that high birth rates persist among the poor, poverty does indeed breed poverty.

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A symposium on

Financing Higher Education

The Policy Dilemmas

By 1975, more than 55 per cent of those of college age will be attending institutions of higher education in the United States. Just as in the 1920's, when the nation entered into a commitment to provide a secondary school education for all youths in the country, so too, today, without fuss and with little foresight, we have made the tacit commitment to provide a higher education for any student interested in or capable of college work.

This decision having been made, we now face the problem of how to finance such an enterprise. This problem is by no means a mere "technical" one. For the different methods of financing will profoundly affect the balance of private and public colleges; the nature of the college curriculum; the viability of the small, independent liberal arts college; the appropriate kinds of public controls over new public expenditures; etc. And such decisions will in turn shape the size and character of a large professional class in this country which will staff these colleges and graduate schools. What is involved here may be nothing less than a reshaping of the American social order.

Thus, while a consensus about providing higher education may have been reached quite easily, the real difficulties begin with decisions about implementation. At the moment, a major and frequently intense debate about such policy choices is going on in the universities and in the government. Few echoes of this debate reach the general public. We have therefore asked a number of prominent individuals who have been participating in these debates to assess the different choices for readers of The Public Interest, *and to indicate the reasons for their own policy preferences.*

We are grateful to the Carnegie Corporation for having made this symposium possible – Editors.

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The Distribution of Money and Power

CLARK KERR

THE federal government has had two great historic impacts on higher education in the United States. The first was through the initiative that started the land-grant movement at the time of the Civil War. The second came with the decision during World War II to rely heavily on the universities for basic scientific research, and with the continuation after the war of substantial support for scientific investigation and training.

The third great impact is now underway as the federal government undertakes a permanent and heavy commitment to the support of higher education in general. The preliminary steps have been taken. Fortunately they are only preliminary, for thus far decision has run ahead of discussion. Programs have leapt ahead of policy. But the decisive actions still lie ahead. So also should the decisive debate. If the interests of society and higher education are to be well served, both the debate and the decisions should reflect more than institutional self-interest, and more than short-term political considerations.

Federal aid is now becoming an urgent necessity. Expenditures on higher education have risen over the past decade from 1 per cent of the Gross National Product to 2 per cent. It is likely that over the next decade expenditures on higher education will need to rise from 2 per cent to 3 per cent of the Gross National Product.[1] Enrollments will continue to rise, perhaps by another 60 per cent by 1975. An additional million students might be drawn forth if policy should call for a major effort to eliminate financial barriers to equality of educational opportunity.[2] The number would be larger except for the additional barriers of lack of achievement and lack of motivation.

The quality of instructional facilities is generally advancing. Rises in costs, particularly for salaries, are not offset by any measurable increase in productivity. Graduate enrollments are rising slowly but steadily as a percentage of total enrollment. For these reasons, it seems likely that costs per student may rise at an annual rate of 3.5 per cent for higher education as a whole, including a somewhat higher figure for the more complex universities, and making no allowance for general inflation.

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[1] Expenditures on federally sponsored contract and grant research are not included in these figures.

[2] Joseph N. Froomkin, *Students and Buildings — An Analysis of Selected Federal Programs for Higher Education* (Washington, D. C.: Government Printing Office, April 1968), p. S-4.

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Where are the additional funds for higher education to be obtained?

State and private sources – which now contribute about 80 per cent of the funds – will be called on for an additional effort. This is both desirable and possible. Some states now make three times the effort of other states in supporting higher education, and it should be expected that a greater contribution over all could be made if only by drawing the least active states closer to the median. Similarly, private effort is expansible because of the very substantial income elasticity of demand for higher education. As income rises, people are willing to spend a higher percentage on higher education. But state and private income rises roughly with the GNP, and even with some additional effort, these sources will fall short of meeting the full need.

Just as some of the rise from 1 to 2 per cent of the GNP has been met from federal sources, it is reasonable to expect that a share of the further rise to 3 per cent will come from the federal government. The federal share of expenditure on higher education might rise from the present 20 per cent[3] to one-third by the end of the decade, with the remaining two-thirds coming from state and private sources.[4] This is not an unreasonable expectation, for federal income rises faster than the GNP, and thus the federal government has the greatest increasing capacity to assume the added burden.

The ways in which federal aid is provided and the impact of that aid, however, are potentially more important than the precise share.

There are five major alternative ways of giving federal aid:

through tax relief to families and donors
through loans and grants to students
through grants to the states
through categorical programs with the categories set by the federal government
through across-the-board grants to institutions on the basis of a formula

Each of these has its particular *monetary impacts* and *power impacts.*

Monetary impacts vary enormously among these alternative programs. Tax relief, for example, would aid high and median income families more than low income families; and it would aid private colleges (through the prospect of higher tuition) more than public institutions. Grants to students (if on the basis of need) would aid those families at the lower end of the income scale.

Grants to states (if these bear no requirement for maintenance of state effort) could aid state taxpayers at the expense of federal taxpayers, and federal taxes are the more progressive. Categorical programs have had – and by their nature must have – uneven impacts from one type of institution to another, and from one institution to

[3] The present federal share cannot be calculated with precision. For the last year on which data is available (1965–1966) it stood at about 20 per cent, not counting contracts and grants for federally sponsored research.

[4] This indicates increased effort from state and private sources. Two-thirds of 3 per cent is 2.10 per cent of GNP as against the current 1.6; and the federal share would move from 0.4 to 1.0 of GNP.

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another institution within the same general type, depending on the nature of the particular federal program. Across-the-board grants would treat all institutions alike, but states with heavy enrollments would receive proportionately more money than states with light enrollments. These brief comments provide some indication of the significance of the variations on monetary impacts among the several alternatives.

Power impacts are equally significant and just as varied. Tax relief to parents will tend to maintain parental influence over the choice of institution, choice of program, and expenditure patterns. Aid directly to students puts them more on their own and turns them into the market to which the institutions of higher education must respond. Grants to the states enhance the power of the governor, the legislature, and the state bureaucracy. Categorical grants leave in the hands of Congress the determination of priorities and the exercise of broad initiative, and in the hands of the federal agencies action on specific applications. Across-the-board aid to institutions increases the potential influence of the institutional president and those associated with him in budget-making.

Monetary and power impacts, then, will both flow in accordance with the nature of the specific federal aid program. The central questions are: where can the money best be procured and spent, and where will which decisions best be made?

THERE are simple answers to these questions, but simple answers are not responsive to the complexities of the problem. Seven guides to more complex and more responsive answers are suggested. The aid should:

1. Draw forth additional resources on the way to 3 per cent of the GNP, rather than just replace existing sources.
2. Preserve a margin for quality and provide an incentive to increase quality. The small and growing number of universities of world rank are among our greatest national resources.
3. Preserve diversity and autonomy and, if possible, increase them. A corollary to this is that higher education should have several sources of financial support.
4. Recognize the needs of both public and private institutions (with the exception of theological programs); and reduce the rising tide of conflict between the two types of institutions.
5. Remove or reduce the financial barriers to equality of educational opportunity.
6. Assist universities and colleges to make greater contributions to the quality of national life, as in improvements of health care capacity and solutions to urban problems.
7. Encourage institutional vitality and the upgrading of facilities, as in support of experimentation and innovation or in assistance to library and computer resources.

The tests I suggest lead to certain implications about the major alternatives:

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1. Tax relief works against equality of financial opportunity instead of in favor of it.

2. Grants to the states concentrate too great control in that single center of power and surrender an important source of diversity in funding.

3.Aid to students can aid equality of opportunity (through grants) and draw forth additional resources (through loans). It places influence in a market that has always been quite discerning, avoids concentration of power in a few hands, and is largely neutral as between public and private institutions. Beyond that, students benefit as current consumers and through investment in their future earning power, and thus may quite equitably be expected to share costs through a loan program, and perhaps particularly one (like the Educational Opportunity Bank) that requires no collateral and involves no risk.

4. Categorical aid has drawn forth federal interest, initiative and money, and much of the initiative has been constructive. As a matter of practice (though not of necessity), categorical aid has been responsive to quality and supportive of diversity – in fact, these are the major current charges against it; and it has flowed through many agencies.

5. Across-the-board grants to institutions pose the most perplexing problems, for so much depends on the formula. It can be on a strict per capita basis, or it can take account of different levels of cost (and usually quality) among institutions. It can apply to only lower division, or lower and upper division, or also to different levels of graduate students. It can cover science students alone or all students. It can be tied to additional effort or it can permit replacement of existing effort. As the most difficult alternative to evaluate, across-the-board grants require the greatest study and thorough exploration of the implications of the formula under consideration. The essence of the approach is the particular formula.

Whatever the formula, some observations can be made about institutional grants. Institutions would gain autonomy in the sense that they could set their own internal priorities, but they could lose independence relative to the power of a single dominant source of federal funds. By contrast, federal aid through the hands of students yields the same autonomy without the same risk of loss of independence. Constitutional questions might well arise about aid to institutions-as-such which are under religious control. The selection of the list of institutions would be a problem – as a practical matter, few could be rejected. But this is also the political power behind this approach. All institutions at the same time would have a common interest in securing congressional action.

In the light of these considerations, I would presently suggest rejection of two alternatives (tax relief, grants to states), acceptance of two others (aid to students, categorical programs), and careful study of the fifth (aid to institutions-as-such).

I would make several additional observations.

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First, we must keep in mind that in the competition for resources with other requirements of the nation (externally and internally) federal funds for higher education are inherently somewhat "soft." The federal government must remain able to reallocate its funds to meet its most urgent needs – as higher education has been painfully reminded by the shift of funds from the campuses to the war in Vietnam. It may be prudent, therefore, to assign "soft" funds to "soft" items in the sense that support of these programs can ebb and flow within rather wide limits. Categorical aid is particularly fitted to the federal situation – construction, specialized research projects, the introduction of new approaches all tend to be somewhat flexible in their timing. The critical core of higher education should rest on a solid financial base, as immune as possible to the vicissitudes of national and international emergencies.

Second, as higher education seeks a higher percentage of the GNP, it will of necessity be required to show effective use of the resources it receives; and it will need to be fully aware that other urgent national priorities will be competing intensely for the same funds.

Finally, as private institutions become more "public" through the acceptance of more public money, we should seek to make public institutions more "private" in the degree of their independence. Otherwise, the result will have been a net loss of independence to the detriment of higher education, the nation, and the world of scholarship.

The third great impact of the federal government on higher education in the United States – now in the offing – may come to stand in the importance of its consequences with the first (the land-grant movement), which gave America some of the great universities of the world, and with the second (aid to science in the universities), which led this country to pre-eminence in basic and applied research. The quality of national life – broadly viewed – may be improved by the third great impact. This is the possibility that can become reality by the choice of wise policies.

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Autonomy with Accountability

DAVID B. TRUMAN

THE problem of federal assistance to higher education is inescapable. The developing "squeeze" between rising costs and more slowly rising revenues, peculiarly acute for the so-called private institutions but serious in various ways for universities usually classified as "public," makes such assistance a necessity. Whatever may be

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accomplished by better management (and unquestionably significant improvements can be made both in the allocation of resources and in the handling of endowment resources), the "squeeze" will persist and probably will become more severe. If the system of higher education is to continue to be strong enough to make its necessary contribution to the society, a broad program of federal assistance is going to be necessary.

One aspect of the problem, though important in various ways, is really beyond debate. This is the question of who should have access to higher education. Without explicit or focused debate, the society in effect has determined that all students who show some minimal level of talent and inclination should have at least two years of education beyond the high school, and a norm of four years appears to be emerging rapidly. The consequences of this undebated decision can be examined, in relation to the system of higher education, to the educational enterprise as a whole, and to the intrinsic needs of the society; but the issue appears closed. It seems certain, for example, that one result of this societal decision will be to lower the *average* quality of the higher educational system's performance for some years ahead. The comparable decision nearly fifty years ago concerning the high schools clearly had this effect, although it is one that is not susceptible to precise measurement. Changes in secondary education in recent years appear to have reversed the decline, but it is doubtful that the average quality of secondary education today is as high as it was four or five decades ago. Although some special factors contributed to this consequence, it is by no means clear that they were so controlling as to warrant the assumption that higher education will not have a similar experience.

Although the issue of full access is no longer seriously debatable, two implications of the decision still deserve attention. First, the policy of open access is one of the major causes of the financial problems facing higher education. Generally rising costs and the inherent limitations on increasing marginal productivity in education have been important, as have other factors, but the competitive demands upon personnel and other resources resulting from expansion of the system have contributed disproportionately to the present difficulties. Second, if higher education in the years ahead is to have at least as good a chance as the secondary system gradually to correct the deficencies resulting from a mass commitment by the society, the peaks of quality within the system must be maintained. Over the years the best public and private secondary schools have been the bench marks for the system as a whole. Higher education will have at least as great a need for such a continuing source of standards. Any rational program of federal assistance should take account of both of these closely related factors.

The specific options possible in a federal program are many, but they can be reduced to three: general aid to students, general grants to institutions on some appropriate formula, and categoric grants to institutions or to students designed to develop particular fields assumed to need expansion or support. A sensible federal program

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should be a combination of the first two. The third, though superficially appealing, involves dangers and disabilities that make it highly undesirable by almost any criterion, as I shall attempt to argue later.

Aid to students, even in the form of direct stipends, normally does not meet the problems of the institutions. Unless such aid should include payment to the institution of the difference between charges to the student and actual costs to the institution, on which reliable data are usually wanting, its component of assistance to the college or university is at best marginal, as the Bundy report on the Regents scholarship system in New York demonstrates.

Aid to students should additionally reflect total costs to the student – not merely institutional charges – and, at least at the undergraduate level, should take into account need or ability to pay. Ignoring these considerations would create an indiscriminate and highly regressive subsidy system like that of the low-tuition "public" institutions which make no supplementary grants to students on the basis of need in relation to the student's total costs. The willingness of many "private" institutions, at considerable sacrifice, to base undergraduate financial assistance on total need and to create in effect a sliding-scale tuition system supplemented by subsistence grants, accounts for the anomaly that these institutions have student bodies more representative of the income structure of the society than do most of their "public" counterparts whose low-tuition policies are defended as more "democratic." Tax relief to parents for college tuition charges would be similarly regressive and would, of itself, provide no help to the colleges.

General aid to institutions should take account of a variety of values, but most important for the society is preservation of the autonomy of the institutions in the system of higher education. Maintenance of such autonomy is the principal reason for objecting to a program of categoric grants intended to encourage particular fields. Not only would such a program risk distortions within the system by, for example, further supporting the growth of the natural sciences and engineering at the expense of the humanities, the arts, and the social sciences. Even more seriously, it would invite – even require – political and bureaucratic manipulation of the system by removing from the colleges and universities the option to choose the mix of programs to which their energies should be committed. If the amount of such categoric aid were large enough to be significant, it would undermine the innovative capacities and diversities of program that institutional autonomy has encouraged. As a relatively minor supplement to a policy of general assistance, categoric support may be warranted, but as the central element in a national policy for higher education it would be destructive.

Autonomy need not be incompatible with accountability, and accountability need not presuppose federal determination of the goals and policies of higher education. No one would argue that any institution should receive public funds in any form without being accountable for their use. Given the financial needs of colleges and univer-

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sities, what is required for a constructive and defensible policy that can accommodate autonomy and accountability is a form of federal assistance in which the amount awarded to any institution is determined ultimately by objective criteria that do not control institutional decisions concerning programs and personnel.

One proposal that adequately meets these requirements is that sponsored by the Bundy commission on state assistance to private higher education in New York. Basically it proposes to assign to each institution a fixed sum for each bachelor's degree awarded, an equal sum for each master's degree, and a multiple of this sum for each doctoral degree. Like all per capita systems, it risks rewarding mere numbers, but it does propose some protection of quality by restricting eligibility to institutions whose performance is at least as good as that of the state university. (How that level is to be determined the commission does not say, but presumably an adequate composite measure could be devised.) It also takes quality into account by rewarding performance in the form of degrees granted rather than mere enrollments. Above the proposed minimum level of quality the Bundy formula respects institutional autonomy and it presents no serious problems of accountability. It could be adapted readily to the requirements of a national program, although admittedly such adaptation would present more difficulties.

A second device that would meet the criteria of autonomy and accountabiilty at least equally well would be a subvention based on the costs of operating the physical plant – space used for teaching, research, and educational administration but not that assigned to dormitories, athletic plant, or recreational facilities. Such costs are a large and growing part of all college and university budgets. Defensible norms, presumably with regional variations, could be arrived at for the appropriate number of square feet per full-time student, including allowances for the differential between graduate and undergraduate programs and for low-density undertakings such as medical schools. Even if some minimum standard of quality were included, as in the Bundy proposal, the occasion for bureaucratic intrusion into the system of higher education would be slight. Political involvement could be confined to the level of gross appropriations, and judgments in that area could be guided by general cost data little affected by the operations of beneficiary institutions. Accountabiilty would be effectively built in.

As the financial problems of higher education become more serious and the inevitability of federal assistance in some form becomes clear, temptations will grow within the government, including both the legislative and the executive branches, to use the emerging crisis to mold and ultimately to control the system from Washington. As that day approaches, the issue will not be whether financial help should be given from the federal level, but whether that help should be grounded in the value to the society of institutional autonomy.

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The Higher Schooling in America

MILTON FRIEDMAN

THE financing of higher schooling[1] raises two separate problems: (1) Should tax monies be used to finance higher schooling and, if so, how much? (2) How should such tax monies, if any, be spent?

In their letter of invitation to participate in this symposium, the editors of *The Public Interest* beg the first question and concentrate wholly on the second. This seems to me a great mistake; hence I shall comment on both.

One further introductory remark. Institutions of higher schooling are multi-product enterprises producing three main products: schooling, research, and monuments (the "Smith" library, the "Jones" professorship, the "Robinson" fellowship). These all raise different issues. I shall restrict my comments entirely to the first product, schooling.

1. The financing of higher schooling

Large sums of tax money – city, state, and federal – now finance schooling beyond high school. I believe that this method of financing higher schooling is one of great scandals of our time – which is why I object so strongly to the begging of this question. In this area, those of us who are in the middle and upper income classes have conned the poor into subsidizing us on the grand scale – yet we not only have no decent shame, we boast to the treetops of our selflessness and public-spiritedness.

The facts are clear. Consider the typical city or state college or university. The average income of the parents of the students at such schools is much higher than the average income of taxpayers, as every study has shown. More important – because this is the truly relevant comparison – compare the incomes that the young men and women now in college will have over the rest of their lives with the incomes that their contemporaries who do not go to college will have. Is there any dispute that they will be far higher? Why then should the men or women who do not go to college pay any part of the costs of those who do? Why should the families in Watts pay taxes to subsidize the families in Beverly Hills who send their children to U.C.L.A.?

If tax monies are going to be used to subsidize the training of youngsters, surely equity demands that such subsidies go to the poorer among them – poorer not only in material wealth but in human capacities – not to the richer. In state after state, the subsidy

[1] The usual term "higher education" is question-begging. Not all schooling is education and not all education is schooling. Hence I prefer the more descriptive term.

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is now restricted to the persons in the upper third or half of high school graduating classes. Surely, on equity grounds, it would be far better to restrict it to the lower third or half – they are the ones who need it the most. And on grounds of developing potential talent among the poor, surely it should be concentrated on elementary and secondary schooling, not on higher schooling.

It will be immediately answered that the financing of higher schooling enables some who would have been poor to become well-to-do. It has equalized opportunity in advance, if not achievement after the event.

True. It is eminently desirable that every youngster, regardless of his parents' income, social position, residence, or race, have the opportunity to get higher schooling – *provided he is willing to pay for it either currently or out of the higher income the schooling will enable him to earn.* There is a strong case for providing loan funds sufficient to assure opportunity to all. There is a strong case for disseminating information about the availability of such funds and for urging the less privileged to take advantage of the opportunity. There is no case for subsidizing those who get higher schooling at the expense of those who do not.

Consider my own case as a horrible example. I might not have gone to college if I had not received a partial tuition scholarship from the state of New Jersey to attend Rutgers, though candor compels me to state that, by hook or crook, I probably would have managed to do so. As soon as I was graduated, I left the state and have never lived in New Jersey since. The scholarship enabled me to have a higher income than I otherwise would have been able to attain. But what did the poor taxpayers of New Jersey get out of it? It was a fine thing, I believe (though I may, as usual, be in a minority), that I was given the opportunity to get an education. But is there any reason why I should not have been required to repay New Jersey taxpayers?

Straight, fixed-money loans to finance higher schooling have the defect that there is wide diversity in the earnings of college graduates. Straight loans would saddle all with a fixed debt that would be a heavy burden to the less successful. To meet this problem, some dozen years ago I published a plan for providing funds to individuals so as to finance higher schooling on an equity rather than a bond basis. The plan involves setting up a governmental body that

> would make available a limited sum per year for a specified number of years, provided the funds were spent on securing training at a recognized institution. The individual in return would agree to pay to the government in each future year a specified percentage of his earnings in excess of a specified sum for each $1,000 that he received from the government. This payment could easily be combined with payment of income tax and so involve a minimum of additional administrative expense. The base sum should be set equal to estimated average earnings without the specialized training; the fraction of earnings paid should be calculated so as to make the whole project self-financing.[2]

[2] Milton Friedman, "The Role of Government in Education," in Robert A. Solo,

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More recently, a Presidential panel headed by Professor Jerrold R. Zacharias of M.I.T. proposed a specific version of this plan under the appealing title, "Educational Opportunity Bank."[3] The proposal was met by a blast from the Association of State Universities and Land Grant Colleges and the Association of State Colleges and Universities that must have few peers for self-serving demagoguery. Little has been heard of the plan since.

Given such a plan, there is, so far as I can see, no clear case for any subsidization of higher schooling by tax monies, local, state or federal.

It will be replied that I have allowed only for the benefits of higher schooling to the individual schooled, not for the "social" benefits of higher schooling that accrue to the rest of the community. When I first started writing on this subject, I had a good deal of sympathy with this argument. I no longer do. In the interim, I have tried time and again to get those who make this argument to be specific about the alleged social benefits. Almost always, the answer is simply bad economics: the nation benefits by having more highly skilled and trained people; investment in human capital is essential for economic growth; more trained people raise the productivity of the rest. All are perfectly correct statements but invalid reasons for subsidizing higher schooling – as can perhaps be seen most readily by noting that each of these statements would be equally valid if made about physical capital (i.e., machines, factory buildings, etc.) instead of human capital, yet few would argue that tax monies should therefore be used to subsidize the capital investment of the Ford Motor Company or General Electric. If higher training improves the economic productivity of an individual, he can capture the improvement through higher earnings, so he has a private incentive to get the training. The invisible hand is at work making his private interest coincide with the social interest. To change his private interest by subsidizing him will be against the social interest. It will induce too many to get training. It will induce them to go beyond the point at which the extra costs are justified by extra returns. (In technical economic jargon, this class of arguments confuses second-order effects with first-order effects, and transfers with net gains.)

Occasionally an answer is given that is good economics but unsupported by evidence. The respondent points to alleged advantages to the community that cannot be captured by the individual being trained (in economic jargon, true "external advantages," or "neighborhood effects," or "third-party effects"): training for "citizenship," and for "community leadership," indirect effects on the production of knowledge which cannot be privately appropriated. But, in my experience, these are always vague and general, and always selective

ed., *Economics and the Public Interest* (New Brunswick: Rutgers University Press, 1955), pp. 123–144, reprinted in slightly revised form as Chapter 6 of my *Capitalism and Freedom* (Chicago, Ill.: University of Chicago Press, 1962), pp. 85–107. The quotation is from page 105 of the latter.

[3] "*Educational Opportunity Bank:* A Report of the Panel on Educational Innovation to the U.S. Commissioner of Education, the Director of the National Science and Technology" (Washington, D.C.: U.S. Government Printing Office, August 1967).

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in that negative external effects are never mentioned (e.g., had college schooling been as near universal in his time as in ours, Charles Alva Edison might well have ended up as a high-grade high school or college physics teacher; current goings-on on campuses suggests that there may be negative as well as positive training for "citizenship," the net external effects of the discovery of atomic fission are not clearly positive). Even more important, I know of no serious attempt to identify true external effects systemically in such a way as to permit even a rough estimate of their quantitative importance – of how large a subsidy, if any, can be justified on these grounds.

Until this is done, the demand for subsidy in the "public interest" must be regarded as special pleading pure and simple. The academic community has no difficulty recognizing and sneering at such special pleading when business men march to Washington under the banner of free enterprise demanding tariffs, quotas, and other special benefits, or when Charles E. Wilson says that "what is good for General Motors is good for the United States." It is long past time that it applied the same standard when it looks in the mirror. In arguing for a negative income tax I once remarked to a group of businessmen something like "Not all those who feed at the public trough, feed poorly." To this audience, I would add, "And not all who feed well are businessmen."

2. How to spend tax money on higher schooling

Insofar as any tax money is spent on higher schooling, the best (least bad) way to do so seems to me clear. As I wrote in the article referred to above, "Any subsidy should be granted to individuals to be spent at institutions of their own choosing. . . . Any government schools that are retained should charge fees covering educational costs and so compete on an equal level with non-government-supported schools."[4] The resulting system would follow in its broad outlines the arrangements adopted in the United States after World War II for financing the education of veterans.

> The adoption of such arrangements would make for more effective competition among various types of schools and for a more efficient utilization of their resources. It would eliminate the pressure for direct government assistance to private colleges and universities and thus preserve their full independence and diversity at the same time as it enabled them to grow relative to state institutions. It might also have the ancillary advantage of causing scrutiny of the purposes for which subsidies are granted. The subsidization of institutions rather than of people has led to an indiscriminate subsidization of all activities appropriate for such institutions, rather than of the activities appropriate for the state to subsidize. Even cursory examination suggests that while the two classes of activities overlap, they are far from identical.
>
> The equity argument for the alternative arrangement is particularly

[4] As noted above, I am abstracting from expenditures on basic research and considering only schooling proper.

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> clear at college and university levels because of the existence of a large number and variety of private schools. The state of Ohio, for example, says to its citizens: "If you have a youngster who wants to go to college, we shall automatically grant him or her a sizable four-year scholarship, provided that he or she can satisfy rather minimal education requirements, and provided further that he or she is smart enough to choose to go to the University of Ohio. If your youngster wants to go, or you want him or her to go, to Oberlin College, or Western Reserve University, let alone to Yale, Harvard, Northwestern, Beloit, or the University of Chicago, not a penny for him." How can such a program be justified? Would it not be far more equitable, and promote a higher standard of scholarship, to devote such money as the state of Ohio wished to spend on higher education to scholarships tenable at any college or university and to require the University of Ohio to compete on equal terms with other colleges and universities?[5]

Experience in the decade and a half since I first wrote this has only reinforced my belief that this would be the best method to distribute any government subsidies. But the developments which have made it all the more desirable – the mushroom growth of state and local institutions and of direct government subsidies to private schools with the clear and evident dangers these raise for quality and indepedence – have also made it much more difficult to achieve – because they have strengthened the number and power of the people in the state and private institutions who have a vested interest in continuation of the present system.

The great problem with higher schooling today is not that we are spending too little, but that we are spending too much – and spending that so wastefully. It is not that there are too few *persons* receiving higher schooling, but too many – though there are too few *students* and also there are many not in school who would benefit from higher schooling. Our state colleges and universities are burdened with youngsters who value the schooling they are getting at what they have to pay for it – namely, zero. These youngsters are getting their money's worth, but in the process they are also degrading the quality of the schooling received by their fellows who would be be willing to pay more if they could get more.

The way to broaden educational opportunity, raise the quality of college schooling, and simultaneously lower governmental expenditures is to exploit the insight that people value what they pay for and will pay for what they value.

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A Changing Economy for Higher Education

MARTIN MEYERSON

THE bill for higher education in America is now about $17 billion a year. That figure covers both construction and operations and both public and private education. The $17 billion we spend on higher education each year is almost as much as the gross national product of Spain. It is higher than the gross national product of Pakistan, the fifth or sixth most populous nation in the world.

Never before in history have so many resources gone into higher education on an absolute, a per capita, or any other basis. But never before has there been a country such as ours in which most eighteen-to-twenty-one year olds are in school.

Despite these extraordinary allocations, most who are concerned about higher education foresee a financial disaster if new sources of funds are not obtained, and obtained soon. In this view, the disaster will come from the rapid divergence between expenses and income. For a variety of reasons, costs are escalating. Even with extraordinary management efforts, we are only likely to alter the cost slope modestly. Also for a variety of reasons, present sources of income cannot easily be expanded. Meanwhile, the pressures for more quantity and higher quality in college and university education increase.

Because the scale of higher education has increased so enormously, every aspect of the fiscal equation has changed as well. When collegiate education was available only to a small elite, that elite was able to provide for a substantial part of the costs of higher learning. The extension of higher education opportunities to the general population has sharply reduced the proportion of income generated directly by, or expected from, that part of the population who receive college education.

The academic elitism of the past had not been confined to the private universities. Major state universities, too, had traditionally catered to a relatively small group. Near the turn of the century, for example, Henry George berated the University of California at Berkeley for using the taxes of the poor "to educate rich men's sons." Legislators were then able to provide well for major state universities because, despite their democratic proclivities, these institutions had relatively small enrollments and their annual operating appropriations constituted a relatively small part of the over-all state budget. Today, state and other public college and university budgets have grown so large that citizen as well as legislative and administrative scrutiny of university operations has grown and reluctance to increase funds is apparent.

Furthermore, the unit costs of higher education keep rising. They

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do so for many reasons. One, of course, is inflation. Everything that a college or university buys or builds, uses or maintains, consumes or replaces, costs far more than it did a score of years ago. College and university costs have risen higher than the costs of most enterprises because these institutions depend on scarce professional staff.

Another explanation is that the level of aspirations has been sharply raised. Expectations have gone up in terms of numbers to be served, size of classes and physical environment. Today no self-respecting institution of higher learning would do without gymnasia, swimming pools, student unions, theaters. These environmental aspirations are consistent with the growing affluence of our patterns of living. They add to the educational experience, but they all must be staffed and maintained as well as constructed.

Closely related to the increased costs created by environmental elaboration are the substantial cost increases which reflect the extensive, complex and sophisticated equipment and services now required in universities. A newly appointed professor in the natural sciences may require $100,000 or more of equipment. Without that equipment it would be foolish to hire him since he could not function well as a teacher or a scholar.

Still another factor is the increase in academic salaries, which have been rising at a rate of 6 per cent or more annually since 1956. At that rate of escalation, faculty salaries double every decade. (They often comprise one-third to one-half of operating budgets.) Academic salaries, despite the comparatively generous increases of the past years, are still low in comparison to those of other professional groups. Recent salary increases represent deferred or delayed adjustments. Last year only 10 per cent of the full-time college and university teachers in the United States received $14,000 or more; 16 per cent received less than $7,000.

The impact of salary increases is becoming acute at a time when increasing enrollments sharply raise the demand for college teachers. The excess of demand over supply has accelerated the increase in teaching salaries, though the rate of increase is by no means faster than is warranted by the appallingly low base from which the salary structure began its rise.

THE fantastic changes in enrollment in institutions of higher education have arisen less from the population explosion and more from the opportunity explosion. We have not yet peaked in either numbers or percentages of young people who expect to be served. The quarter of a million American college and university students at the beginning of the century had doubled by the end of World War I; the figure doubled again by 1929 and more than doubled once more by the end of World War II and again since then. Current estimates expect the present 6 million students to increase to at least 9 million by 1975. Such expansion will increase the demand for qualified, scarce, faculty.

There is another qualitative pressure for cost increases in academic personnel – the current disaffection of the American college student

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and to some extent of teachers, for the large lecture class. The large lecture class has been the mainstay of the large American college and university, particularly in required courses. The rationale of the large lecture course is simple: if subject matter is to be conveyed from teacher to student by the lecture method, economies are secured by increasing the size of the class. The per unit costs of instruction go down. Some teachers flourish under the discipline and stimulus of the large audience. But nowadays, because large classes have been over-used and thus abused, students resent them. They argue that the most effective way to learn is through a give and take, a dialogue, and not through listening passively. And the students seek face to face contact with distinguished scholars, not with teaching assistants.

I shall not try to review learning theory and prescribe for the most effective way to learn. The truth of the matter is that after all these years we know little about who learns what best under which circumstances. But we do know that students benefit when exposed to a variety of learning experiences. Students ought to have the opportunity for at least one class a term, in their beginning as well as upper years, to participate in small classes with a distinguished scholar. But even the modest goal I am suggesting has the most profound cost implications. Increasing the number of teachers for undergraduates may only be solved by increasing the faculty, not just by spreading the faculty. If the ratio of students to faculty is to be improved markedly, the costs can be astronomical. At many universities, the large classes for freshmen and other undergraduates have subsidized the small classes for graduate students. At one university, for example, there is an average freshmen and sophomore class size of sixty to permit graduates to have an average class size of six. If we cut down the large classes for undergraduates and also increase graduate instruction, the demand for which is multiplying, the shortage of qualified professors will become even more acute.

I do not suggest that faculty salaries are incommensurate with duties. However, I do suggest that two allocative principles of compensation operate within and among colleges and universities and both act to accelerate salaries. One is the principle of differential reward for merit, the other equalization of reward for morale.

Since there are a limited number of well-known mathematicians or physicists or economists and many institutions eager to attract them, some schools offer salaries well above the normal range paid to other professors, on the assumption that capturing a star or stars will make the institution more attractive to other teaching personnel, particularly bright young people. However, since the members of any one academic institution consider themselves as peers, the other professors immediately expect to receive roughly the same rewards as the celebrities; the science professor is apt to hold that only a modest premium should be paid to the Nobel prize winner. Whenever an eminent professor is paid an unusual salary, the principle of differential reward for merit pulls, and the principle of equalization of reward for morale pushes salaries upward.

The competition among institutions is similar. Each year when

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the national figures on salary ranges appear, university and college presidents go to boards of trustees, legislatures, others concerned with budgets and point out how salaries are behind those of other universities, or are not sufficiently in advance of those of other universities, and must be raised so that the competitive edge of excellence may be attained or retained. This situation is not apt to change, nor should it change. There is no better way to allocate university resources than to the highest caliber teachers and scholars, both young and old.

So far I have spoken mostly about the costs of education and indicated that higher education is both labor intensive and capital intensive, and that aspirations are mounting for both personnel and supportive equipment. But aspirations are also mounting for functions which have accrued to colleges and universities but are of secondary educational value. Colleges and universities attempt to be total institutions – to care for all the needs of their students. I facetiously compare colleges and universities to prisons in this regard. Colleges and universities try to look after the health of students, their shelter, amusement, psychic guidance, career counseling, employment, moral and spiritual enrichment. If colleges and universities are to cater to the total requirements of its members and many requirements of the society, there are few limits upon eventual costs.

At the outset, I pointed to the divergence between expenses and income. On the income side, tuition and fees at major private institutions are reaching a level where most of increments must be allocated to scholarships if the college or university is to attract talented students. At this time tuition and fees make up only about one-fifth of all income at private and public institutions anyway. Support from foundations, corporations and individuals is important and in the case of a few universities is extraordinary; however, only about one-twelfth of income at all colleges and universities comes from endowment and gifts. Charges for room and board and the like comprise about one-sixth of income. However, they are applied only to what they purchase and have no effect upon the costs of instruction and research. State and local governments provide one-quarter of the income going to higher education; even if their allocations increase absolutely it is unlikely that they could bear more of the burden proportionately since their tax systems are already so strained. The federal share is almost one-quarter, and is generally regarded as the main expandable source of funds. That is, most of the prophecies expect the federal share to rise proportionately as well as absolutely.

It is only through a mixed public and private economy for higher education and through greater diversification including diversification of federal funds and to a limited extent through cost savings that the future bills for colleges and universities can be paid. It is also through the development of such a mixed and diversified economy that traditional academic freedoms can be preserved.

It is true that recent imaginative proposals, including those of Jerrold Zaccharias on the student loan bank plan and of McGeorge

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Bundy on better utilization of endowment, among other recommendations, ought to encourage us in a quest to bring expenses and income into better alignment. But, while these and other measures – such as reducing the time for graduate education, installing technologically sophisticated teaching aids, making full use of faculty wives – should make possible some economies, they are unlikely to result in major savings. Thus, new sources of funds will have to be found.

Here, I want to emphasize one point: I favor as much diversification of support as possible – diversification in sources and in the manner in which it is offered. The Zacharias plan for loaning funds for tuition and expenses to be repaid by a future charge against income or otherwise is fine – provided it is not the only method available to support higher education. Public aid to private institutions, as recommended by the Bundy Committee, is fine, provided that public institutions can seek and achieve support from private sources. More federal aid is fine, provided that the aid is not spread indiscriminately on a geographic basis. The alternative to diversification of support seems to me an inevitable mediocrity in higher education, both public and private. Colleges and universities must be free to innovate. If they are bound to single sources of support whether from states or federal aid or private donors and alumni, control from that source will accompany the financing.

A SUBSTANTIAL degree of mixture already exists in the economy of higher education. For example, among the twenty institutions of higher learning which were the largest recipients of private support in the year 1965–1966, three were state universities, the universities of California, Michigan and Delaware. Between 1958 and 1966, the number of major *private* universities receiving more than a million dollars annually from all private sources increased from thirty-seven to forty-nine. During the same period, however, the number of *state* universities in the million dollar column grew dramatically from twenty-two to fifty-two. Of gifts from business corporations to higher education (the second largest component of private support, after foundations) nearly 30 per cent went to *state* colleges and universities, slightly more than the 28 per cent which went to major *private* universities, or the 18 per cent which was received by private coeducational colleges. In terms of annual alumni gifts – no longer, as they once were, the chief component of private support – two state universities, Ohio State and Missouri, rank among the top ten in dollar volume for 1965–1966. And of the $40 million channeled into education from such nonalumni, nonchurch groups as labor unions, other organizations and societies, 40 per cent went to state colleges and universities.

Public colleges and universities receive a growing and impressive share of the funds which the private sector of our economy donates to higher education. This is an appropriate trend for several reasons. Most students now attend public institutions. Also public institutions seek to develop programs for which public funds are often unavailable, but without which the degree of diversity and sophistication

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that marks a distinguished school could not be achieved. Private funds can provide for that extra margin without which high quality cannot be achieved in public higher education.

Furthermore, governors and other state officials are becoming parsimonious toward public colleges and universities. Faced with great increases in numbers, public institutions have been falling behind in support and other sources of support must be sought. For example, between 1953 and 1964, the ratio of undergraduates to regular faculty went down to 10.61 from 11.71 in public universities. Between those years, in private universities, it improved more by going down to 7.17 from 8.78. (I should caution about a possible bias in these figures: the public institutions try to show their legislatures that they are frugal, the private ones try to show prospective students and donors what a superior education they provide.) In that same period, graduate enrollment, the most expensive segment of higher education, apart from medicine, increased by two and one-half times in public universities, but by only two-thirds in private universities.

Thus, public institutions will increasingly turn to private support and private institutions will increasingly turn to public support. That public support for both public and private institutions will increasingly be from the federal government.

One danger is that as the federal role in financing higher education increases, the pressure will grow to spread the wealth, for example to equalize the educational investment in every congressional district. Therefore, even in the federal sphere, mixture and diversification are desirable. Federal aid should take additional forms rather than an all or none approach.

It is only through a mixed public and private economy for higher education and through greater diversification including diversification of federal funds and to a limited extent through cost savings that the future bills for colleges and universities can be paid. It is also through the development of such a mixed and diversified economy that traditional academic freedoms can be preserved.

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Benefits, Costs, and Equity

JAMES S. COLEMAN

OFTEN, the question of financing higher education is examined from the point of view of what is "equitable": How much of the cost should be borne by the recipient, and how much by the rest of society? I suggest, however, that the more useful question is a dif-

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ferent one. If we view the formal education system as a process in which skills are created, then we can ask: how can the decision about extent and kind of formal education be such as to maximize the difference between the total benefits realized and the total costs incurred, whether those benefits and costs are to an individual or to others in the society? For the question about how the costs can be equitably borne cannot be satisfactorily answered: insofar as the education leads to economic benefits greater than the costs, these benefits ordinarily accrue both to the person who receives the education, through his ability to obtain a higher income, and to others in society through his additional contribution to productivity.[1] Thus the question becomes one of how this gain should be shared, a question which is unanswerable on grounds of equity. It is useful to note that the criterion of equity of costs can have unintended consequences. In medical education in the United States, scholarships have always been fewer than for other areas of professional or graduate education. This can be, and has been, justified on the grounds that the subsequent income of physicians is considerably higher than that of other professionals. But one consequence has been to restrict medical education more nearly to children of high-income families, than is true in other professional training.

Once the question is changed from one of cost-equity to one of the appropriate decision about extent and kind of formal education, then a variety of approaches are possible. One, which is being used by some European countries in educational planning, is to take the decision in part out of the individual's hands. This is characteristically done by planning of the following sort: (1) projection of the required number of persons in specific occupations or types of occupation; (2) using this as a basis for estimating the required number of labor force entrants per year with particular levels and kinds of education; (3) then planning the size and structure of educational institution to provide enough, and no more, "places" required for producing the required number of persons with specific training. In most European countries, there are fixed numbers of places for each area of study, and individuals' decisions are limited to competition for these places.

Such a system can be described as being governed by the supply of educational places; in contrast, the United States system can be described as governed by the demand for education. In Europe, the competition for occupational position is largely accomplished through the competition for educational places; in the United States, *after* completion of formal education.

Given the United States system governed by demand, or by decisions of the individuals themselves, the problem then reduces itself to one of freeing the individual's decisions from elements that are irrelevant to the balance of total costs and total benefits, and of introducing elements that lead him to choose that extent and kind of education which maximizes the difference between benefits and costs.

[1]This is not to argue that an increase in formal education is always to the economic benefit of the individual and the society. In individual cases, extended experience in school may lead to lower income and lower productivity than the alternative activity he would have otherwise engaged in.

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There are certain elements that, in the student's eyes, are obviously relevant to this criterion. One of the most important is the student's ability to succeed in a given educational program, and to successfully compete for an occupation that requires this education. This is determined largely by his assessment of his various abilities, and by his assessment of the demand in occupations which require this training. Another element obviously relevant to the cost-benefit criterion is the cost of the educational program. If the opportunity cost of education to him were zero, while the actual cost to society was not, or if some educational programs were free and others were not, then his decision would be distorted, either toward levels of education that were not beneficial to society, or toward kinds of education that would bring less total gain than would others.

At the same time, there are elements that are immediately apparent to him which are irrelevant to the cost-benefit criterion. These include in particular his current ability to pay the costs of education – or, put differently, the utility to him of money at his current level of wealth. If he is wealthy, and this utility is low, then he is likely to continue too long in education; if he is poor, and the utility of money is high, he is likely not to continue long enough. The costs, consequently, must be evaluated by him at the same income levels he will have when he receives the benefits.

The benefits that will result from education – benefits which do not directly affect him at the time of the decision – are principally two: the long-term benefits that he himself will receive, through increased income and possibly psychic gains; and the benefits from his increased productivity that will accrue to others in society.

The question, then, is how to ensure that he takes into account those elements in and beyond the immediate situation which are relevant to the total benefit minus cost, and how to eliminate those elements in the immediate situation that are irrelevant.

The problem can be reduced in complexity by a further consideration. Let us suppose that, whatever his productive activity after completing formal education, he receives as income the same proportion of the economic gain to society that this activity brings – for example, suppose that, in any occupation, he receives half of the total economic gain to society of his productive activity. If this is the case, then any comparison he makes of relative future incomes in different occupations will not only take into account his own long-term benefits from education, but at the same time will automatically take into account the benefis that will accrue to others from his education. Now it is not precisely true that incomes of different occupations bear the same proportion to the total increment in productivity; but as a first approximation, it is reasonable to consider that they do.

With this simplification, the principal elements that he should be led to take into account (besides his ability to succeed in the given educational program) are the expected future income (and psychic benefits) from a given educational program, and the total cost of that program; and the principal element that he should *not* take into account is his current ability to pay.

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With these considerations in mind, we may consider three possible means of paying the cost of formal education:

1. A loan with deferred payment, covering some proportion of the total cost of his education (the same proportion for each educational program), with the remainder paid from general tax revenues;
2. A tax on his future income, covering (on the average) some proportion of the total cost of his education, with the remainder paid from general tax revenues;
3. A voucher covering cost of living, tuition, and other costs, similar to the educational payments under the GI Bill of Rights, and paid for from general tax revenues.

All of these methods satisfy one of the points discussed above: they free the individual's decision from his current ability to pay the cost of education. They are similar also in that they do not directly influence his choice of educational program, as distinct from the length of time he devotes to education. For example, none of them includes special incentives to students for particular programs of study such as teaching or engineering. The use of any one of these three methods of payment is based on the implicit assumption that his decision will correctly assess both his abilities and the relative incomes in different occupations requiring the same length (but different kinds) of training and that relative incomes are an accurate measure of the total social gain provided by a productive activity.

These methods differ, however, in other respects. The first requires the individual to repay, whether or not his education leads to higher income. As a consequence, it will lead him most fully to take into account his ability to succeed in the educational program, and eventually in the occupational system. But will it lead him *too* fully to take into account his future liability – to avoid risk, and thus to underinvest in education? The answer is probably contingent upon the proportion of total cost represented by the loan, and the specific conditions of repayment, which might shift some of the risk.

The second method, taxation of future income, is like a loan with deferred payment in that he does pay partial cost from future income; but it differs in that the student pays according to his degree of success. It will tend to make the decision less contingent upon his estimate of his ability to succeed, and because of the lack of uncertainty about future liabilities it will presumably lead to greater aggregate investment in education than would a system of loans. Would this investment be too high – or perhaps too low? It will depend in part upon the potential income foregone during the years of study – that is, the opportunity cost. If this is very low, as in time of depression or job scarcity, there might be overinvestment, i.e., too long a period in the educational system. This system could produce the "perpetual student," since he never need repay unless he earns sufficient income to be taxed for it.

Both these methods have one interesting consequence (assuming that the tax in the second is on family income). Women who planned to remain outside the labor force would enter the marriage market

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with a negative dowry, a bride price. This would probably encourage much more specific, vocationally oriented education among females, and would constitute a push out of the home and into the labor market. Whether one sees this as a beneficial or harmful consequence depends on one's conception of the appropriate role of women in modern society, and the appropriate role of the family.

The direct payment of educational and living costs, through a voucher system similar to the GI Bill, creates the problem: what is to ensure that the student will ever leave the educational system? Undoubtedly, if the provisions of the original GI Bill had not included a limit on the period of support, there would still be in universities students who had entered at the end of World War II. Again the question is one of opportunity cost: if the student feels that he is losing income or other sources of gratification by being in school, he will stop his education when his estimate of future benefits is outweighed by these currently experienced opportunity costs. (The ability to "defer gratification," an attribute which lower class children are often said to lack, is probably a combination of two things: a low rate of time-discounting of future benefits, and a more optimistic assessment of the relation of present effort to future returns.) There would probably come to be a negative selectivity in later years of higher education: those who had greatest opportunities outside education would begin to leave, as these oportunities increased. Those without such opportunities would stay.

The decision, then, as to which of these methods for payment of education is preferable (and these three methods all seem to me superior to other proposed methods, in that they can better influence the taking into account of the appropriate elements, while still leaving the decision in the individual's hands) depends on answers to some of the questions discussed above. These questions are empirical ones, and some can be answered on the basis of existing data. What is the utilization of the present federal loan system by students? How is the utilization of loans affected by administrative variations? In nonselective institutions of higher education, did the existence of the GI Bill bring overutilization of education by students destined to be unsuccessful in school?

Besides these empirical questions, there are certain principles that are clear: the choice among these methods largely depends on what it is that leads each student, regardless of his current financial position, to decide upon the kind and extent of educational experience which will come closest to maximizing the difference between the total benefits and costs. My own estimate is that some system of providing loans for educational costs and living costs, but with only partial repayment, would come closest to the desired optimum. But the answers to certain empirical questions, indicated above, are necessary if the choice among methods is to be based on anything more than conjecture.

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Burdens and Bargains in Higher Education

ROGER E. BOLTON

As ONE of the many different things which our economy produces, higher education is in some ways like other things we produce – such as automobiles, and clothing, and color television sets. Like them, higher education cannot be produced without using up scarce resources, and having more higher education means someone must have less of other things which might have been produced instead. In other respects, however, higher education is much different, and the differences raise crucial issues for decisions on financing it.

Higher education is both a private and a public good. While it gives significant benefits to individuals who have it, it also has social benefits, in the sense that the education of one man improves the quality of life for others. Governments have long felt obliged to induce the production of higher education by offering a public subsidy, evidently fearing that if they failed to do some of the social benefits would be lost.

However, it is clear that not all the benefits would be lost, because even with no subsidy many families would go to the trouble and expense to offer higher education to their children. While governments cannot regard higher education as wholly a private good, leaving the satisfactory production of it to the free market, neither should they make it wholly a public matter, with persons paying only via taxes and not voluntary purchases. It is a complicated intermediate case, with room for disagreement on the public role in determining how much and what kind should be produced, and who should pay the freight.

Many discussing these problems raise the specter of the "burden" of higher education on students and their families. (I make no distinction between the student and his family, thus sweeping under the rug a host of difficult details.) Certainly students and their families have always financed some of their education on their own, sacrificing consumption of other goods to invest in education. It is common knowledge that families pay a larger proportion of the total costs than the fraction which tuition is of instruction-cost in educational institutions. This is because another large cost, often larger than the institution's own, is the value of the student's time. Instead of being invested in higher education, the student's time could be used to earn income if he joined the labor force, and the earnings could be used to buy other things instead of higher education. Those opportunities which must be foregone for education represent true costs, just as much as faculty salaries and other institutional costs. The fact that they must be paid by the family implies we still rely a great

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deal on the family for the financing (sacrifices) that higher education requires. No matter how low tuition is, those other costs remain, so even so-called "free" higher education is not nearly free.

The question is whether this is a bad thing, and whether the notion of "burden" is appropriate. The word is a loaded one, and many who use it imply that reliance on the family is part of an outmoded system, which ought to be overhauled. This is misleading. While the social benefits of higher education are very large, the private ones are sufficiently attractive to make us question blanket application of the notion of "burden." Higher education confers important benefits on the individual, and there is a natural incentive for many families to buy it even if it costs a lot. It makes as little sense to talk of burden for some families as it does to talk of color television sets, or vacations in Europe, or sport coats as burdens. "Choices" is a better word. What is appropriate is not to question the whole tradition of family responsibility, but to look for specific instances where the traditional reliance prevents the society from reaching its goals.

Reliance on the family is acceptable, as long as it does not interfere with the individual's exploitation of his intelligence and energy and does not raise barriers to social mobility. As long, that is, as it does not prevent people who can profit from education from being educated. Public subsidy schemes must aim at remedying such defects if they exist, not merely at relieving "burdens" on an uniform, undiscriminating basis. In evaluating them, the first question which must be asked is if they really cause more education to be produced.

THE most efficient system (the one which induces the most higher education per dollar of expenditure) is one which discriminates, offering the most subsidy where it does the most good. Both the attendance rate and the quality of education rise with family income, and it seems plausible that any new subsidies will have less and less real marginal effect the higher the income of families who benefit from them. And the social loss – the loss of actual educational achievement – from eliminating subsidies is probably less and less, the higher and higher the income of families who pay higher tuition as a result. Effective discrimination to make each dollar go further in inducing more higher education is the basic principle any public scheme should adopt, and it can be incorporated in many forms of subsidy – tax relief, grants to institutions, subsidized loans and scholarships to students, etc.

Not all of the subsidies now given incorporate this basic principle, however. Our dominant form of subsidy is still the operation of public colleges and universities, which charge all students the same tuition far below costs, using (in some jurisdictions, not very progressive) taxation to cover the deficit. This means that all students receive the same subsidy, no matter what their family incomes. Neither price discrimination nor scholarships for poorer students are yet sufficient to make this fact unimportant. The high quality public universities are tremendous bargains for people who could afford to pay much more. And even heavy subsidy of institutional costs leaves foregone

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earnings costs high enough to prevent attendance for many of the poorest families. The public sector has attempted to reduce those remaining costs by establishing new institutions near more and more of the population, so students can live at home and find part-time employment more easily. But this still leaves most state governments' subsidies tied to the particular institutions they run, which reduces the choice for lower income people who cannot afford to pass up the subsidy. It also makes it harder for lower income families to patronize institutions with diverse student bodies, and this unduly discriminates against them and reduces the social benefits from higher education.

The ideal subsidy is direct and portable aid to students, completely untied to any single institution or geographical area, and making up a higher percentage of costs to lower income families than to higher income ones. In practice this is best done by offering scholarships, in an amount depending on the student's family income and the costs of the institution he decides to attend. The percentage of subsidy should be fairly high for very low income students and decline as income rises. It would be desirable to give aid to middle and upper income families only if they incur costs above some base level, a base level which rises with family income. This would help avoid giving subsidy except where it induced families to buy higher quality education. The admission to institutions would be competitive as it is now, and the process would be like the present one, except that a wider range of students could apply to, and be accepted by, high quality institutions, thus expanding freedom of choice for both families and institutions.

Certainly there are practical problems in implementing this scheme. But it is generally superior to the alternatives represented by some of the income tax relief schemes which have been suggested. It is also superior to the alternative of flat unconditional grants to institutions to defray current operating expenses and construction costs, an alternative which includes operating a low-tuition state college or university as an extreme case. Such grants may merely redound to the benefit of all students equally, rather than discriminative effectively. However, there is justification for public *guarantees* of borrowings that students and institutions must make to finance those costs which remain unsubsidized by the public.

Direct student aid does not harm the college or university, of course. If the aid allows families to buy education at a lower net price, they should be more willing to pay part of the costs of increased quality. As long as colleges and universities compete for students on the basis of price and quality, either aid to students or aid to institutions can have the same effect of ultimately financing an increased number of places for students, and in higher quality institutions.

Of course, many problems are raised by this kind of system. The prospects for "student control" are probably enhanced. There is a real question whether the federal government should give less assistance to students attending institutions already receiving large subsidies from state and local governments or from private philanthropic sources. Should the federal subsidy be based on the tuition the stu-

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dent pays, or on the total costs incurred by the institution? But no matter what the answer is to this question, the basic principle of effective discrimination and portable scholarships seems to me the basis for the best system.

Roger E. Bolton, Professor of Economics at Williams College, is preparing a report on higher education for the Brookings Institution.

The Need for New Guidelines

CHARLES J. HITCH

A bachelor's degree is well on the way to becoming a necessity for young Americans, and graduate study is also expanding rapidly. In the best interests of American society, the growth of both undergraduate and graduate schools must continue to accelerate.

Colleges and universities are hard pressed to meet the high costs of growth. Both public and private institutions are severely strained by increasing costs of operation even aside from those of expansion. And for the individual student and his family, the costs of college attendance are rising faster than incomes are rising – not only because of the rapid escalation of tuition and fees, but also because of other increasing costs: room and board, books and incidentals, and the implicit cost of income unearned during college years.

Extensive federal support of higher education will clearly be necessary; the debate is not over this essential point. Rather, the problem is to re-examine the historic interest of the federal government in higher education and the many current federal programs and to set new guidelines for the role of the federal government.

In this redefinition, it should be our first premise to preserve and strengthen the healthy diversity of institutions and forms of organization. Diversity means that we must find ways to assist private as well as public institutions, junior colleges and four-year colleges as well as universities. And diversity implies that a single point of federal control must be avoided. This pluralism is a protector of academic freedom and a means of promoting appropriate differences of focus and function, and it stimulates experimental efforts to improve the educational process.

As a general principle, every student should have an opportunity for higher education as far as he is qualified to go, without regard to income, place of residence, or race. The federal obligation on this score is most acute for the professions and for the doctorate, because mobility of the individual gives rise to *national* markets and there are important *national* priorities for highly trained talent.

In order to help offset the special costs of growth and the inexorable increases of educational costs, a federal subsidy for each student

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could be made to the institution. This institutional subsidy would be in addition to financial assistance to individual students and would increase for students in the more costly programs of graduate training. These subventions to institutions should be so designed as to supplement, not replace, the support that can be expected from private sources and from state and local government.

Whereas in the early stages of a student's higher education, qualication for admission to an accredited institution might be a proper basis for financial assistance to the student (and the accompanying institutional assistance), the later stages should reflect the student's achievement and special capability.

Federal categorical programs have provided some capital to construct instructional facilities and college housing. Because of continuing federal concern and capability to meet costs of growth, these should be expanded. The national priority on health care and the resulting federal programs to finance health care services have already brought extensive federal assistance to medical school expansion and medical research. However, for both public and private higher education medicine and health sciences are the most expensive of all programs. Greater support of these – perhaps the assumption by the federal government of all medical school costs – would underwrite needed expansion and permit institutions to re-allocate their resources to other instructional activities.

In other areas of graduate training, federal development grants have been awarded to permit amplificiation and improvement of program quality. With appropriate advisory judgment of quality, multi-year federal grants to sustain and improve professional and doctoral programs should be expanded to assure that needs of the country for highly trained manpower can be met.

A RELATED need is for federal help in establishing major regional facilities whose cost is often prohibitive for individual institutions but whose availablity would benefit many institutions throughout a region. This approach has already been used for major regional installations, such as those in high-energy physics and radio astronomy, but the concept should also be used to provide such facilities as large regional research libraries and computer centers.

Finally, the many categorical programs of research support, each administered by the appropriate federal agency, indicate a proper concern with the advancement of basic and applied knowledge. On the whole, the present system of agency-by-agency administration of research produces a far healthier situation than would a single point of control. The *amount* of federal support in each area of disciplinary or problem-oriented research is, of course, a proper subject of argument, but it is hard to see how this can be dealt with except by executive and Congressional attention to each major component of the nation's research commitments, as at present. Research in the arts and humanities, and to some extent in the social sciences, has so far been poorly supported by this process, and there is no better remedy for this than to advocate support for these areas on their merits.

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I have not included in this review the use of direct federal grants to state governments, or the use of institutional grants on a formula basis, for two major reasons. First, most state and local governments have tax structures with low elasticity in relation to the rise in incomes and economic activity, and the demands for and costs of local government services are rising rapidly. A large-scale program of financial assistance to students, together with per capita subventions to institutions, is an alternative to formula grants to state governments. An additional advantage is that, as assisted students elect to attend either public or private institutions, these would receive subvention support; formula grants to state governments would generally assist only state-supported institutions.

Second, the concept of supporting students and providing per capita institutional subventions is also an alternative to formula-based institutional grants. It may be desirable to have institutional grants, too, but they would present administrative problems of assuring effectiveness unless there were explicit quality and performance standards. This is especially true for institutional grants relating to graduate education.

These considerations of federal support reflect long-term needs and appropriate obligations of the federal government. The present federal budgetary stringency occasioned by Vietnam poses a hard problem – for some institutions even a desperate problem – of maintaining their capability to serve. Whatever the future, the immediate margin of this capability will be significantly affected by the rate of federal support under present programs.

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Planning for Subsidies

ALGO D. HENDERSON

The increasing financial needs of higher education are a direct response to the demands from students to attend college, the nation's needs for research, and the requests from the public for additional services to be rendered by colleges and universities. These pressures will continue to increase during the foreseeable future. The federal government is the only realistic source of the large additional funds that will be required.

If this premise is accepted, the issue becomes one of ways in which to achieve this result. The four that I shall discuss are not necessarily mutually exclusive, but certain of them are more in the social interest than are others.

One proposal is to grant tax relief to the parents who pay tuitions. The assumption is that the colleges could then increase their charges

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to students and thus indirectly benefit. Such tax relief is applicable only to those parents who pay income taxes, and this means that the families – for example, the 19 per cent of the families defined by the Economic Report of the President (1967) as being at the poverty level – that most need financial help to gain equality of opportunity in college would not be benefited. It is from the lower brackets of income that the fresh wave of college students is coming. Students in graduate and professional schools who are independent of their families would not be helped. Furthermore, tax credits, as distinguished from expense deductions, would cause a sizable loss of income to the federal government – a sum that could be used to greater advantage to society in the support of programs in higher education. The cost to society of thus aiding the high tuition institutions would not be proportionate to the benefits.

I am attracted by scholarships and loans for students, and I believe that such programs should be continued and increased in size. They are not, however, an over-all solution to the problem of federal aid. They assist students and indirectly may assist the institution by enabling it to collect more fees. This form of financial subsidy is not apt to bring enrichment in programs or innovations to meet the changing needs of society. Furthermore, funds for scholarships always lag far behind the needs. The history of the New York State scholarship program, one of the oldest and most generous in the nation, gives vivid illustrations of the lag at various intervals of time. Programs that involve fixed operating costs will receive better continuity of support. Scholarship programs have their best usefulness in assisting talented students to select programs and attend institutions that best meet their needs and that otherwise would be beyond their own resources.

In general, I am opposed to plans that encourage institutions to increase their fees. Granted that private colleges must collect large sums from their students, it should not be the role of government to promote the enlargement of fees. For this brings pressure on the public institutions to follow suit; and in public institutions, the fees are merely another form of taxation. Considering the relative advantages of higher education to society and to individual students respectively, there should be an equitable allocation of the costs of education between them. The costs to the student include not only tuition and fees, plus living expenses, but also income forgone. Higher fees would increase further the portion of the social cost that the students would have to pay. They would enlarge the barriers to the lower income group.

Another factor relating to the assessment of larger tuition and fees, especially in areas of professional study, is that the payment is accompanied by an expectation of larger earnings following graduation. This in turn influences the size of fees charged to clients by the professional man. Large fees have undesirable social effects, such as causing the practitioner to cater to clients who are affluent and to ignore other social needs.

We must turn, then, from the indirect methods of assisting institutions to ways of giving direct support. Here the principal issues lie

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between making general grants or selective ones, and between giving the aid directly to the institutions or by way of the states.

On the latter issue, I do not favor the making of grants to the states for two simple but fundamental reasons. The first relates to the nature of higher education. Although colleges and universities arise out of the "folk culture," their purposes lead them to become a part of the "super-culture." The inevitable result is a degree of conflict between the institution and the surrounding community. This conflict hampers the colleges in seeking funds through the local and state governments. It is much less noticeable at the national level, partly because events that challenge local beliefs and conventions do not become highly visible, and partly because men attracted to the national service come more frequently from the environment of the "super-culture" than do the local public servants. I am not ignoring the manner in which the Nazi government decimated the German universities. If we reach that state of decadence, nothing will save the institutions that produce fresh ideas. In the United States, we must rely upon our own precedents at the national level, and this experience has been good.

The second reason for avoiding the state channels in making federal grants is that leakages occur. The principal loss takes place through the local assessment of the needs of the institutions. When this appraisal is kept low, the federal money merely displaces some of the funds that the state should have appropriated. The door to this maneuver is open wide in the case of higher education because the products of the institutions are highly intangible and difficult to evaluate.

On the final issue, the grants of funds should be a composite of direct grants to support the institution as such and grants for special purposes. The former is for the purpose of sustaining the whole system of higher education. It is in the national interest to support cultural growth, artistic creativity, economic advance, national defense, the alleviation of social maladjustments, the maintenance of good health, and preparation for citizenship. Both the education of people and the undertaking of research contribute to these aspects of the national welfare. In the economic realm alone, money appropriated for research and the training of manpower is an investment in the future.

The sufficiency of financial support for higher education is a question of relative values. The federal government can pour large funds into additional programs such as the development of atomic energy, space exploration, or "stopping" Communists when the value system leads the nation in these directions. Higher education should be of equal concern to society and more particularly to the federal government.

I believe, however, that it should not be left wholly to the individual institutions, or even associated groups that have vested interests, to anticipate the needs of society. There is at the national and state levels a planning function to be done. Such planning should be based

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upon needs that become visible as a result of surveys and research. During the past two decades three nation-wide, several state-wide, and many special surveys have been made and have helped to enlarge our concepts of higher education. The Truman commission on higher education, for example, recommended a great acceleration in the development of public community colleges. This has been occurring, with state and federal encouragement; if the formation of policy had been left to the existing colleges and universities, the program would have been throttled. Better historical perspective can be had by considering the land grant college movement fostered by the federal government. Not only has this program contributed immeasurably to the rapid development of our technology and economic prosperity, but it has become a model for use in many other nations. Other examples of the value of selective support abound, as in the work of the United States Public Health Service, the National Science Foundation, the Atomic Energy Commission, and the National Foundation on the Arts and the Humanities. One must add some very practical reasons for advocating selective support programs: they are more attractive than general subsidies to Congress and the President; and they usually avoid the church-state issue that is involved in general subsidies.

The total program of subsidies and selective support should be planned and administered subject to the advice of a national planning commission. Forty-three states now have state-wide boards for higher education, a primary function of which is planning and coordination. A similar commission at the national level would be of great value in interpreting the findings of surveys and in advising the Department of Health, Education and Welfare, and through it the Congress and the President, respecting legislation and the appropriation of funds.

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Financing the College: How and Why

THEODORE R. SIZER

THE prior question is *why* should higher education in its present form be financed? The four year, so-called liberal arts, college is hardly a perfect instrument for man's education, one no more powerful and relevant now in its sector than was the academic high school that served as a general model for school expansion in the 1890's. The fact that the present "college" is not wholly apt should be the principal consideration in deciding how to finance further education. As with high schools, we could freeze present practice into permanence. This is an unhappy prospect.

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A variety of forms of education for people beyond the age of sixteen – beyond high school graduation, that is – are both essential and inevitable. They are essential for a society which believes, however naïvely, in high popular culture – and any society worth having should shed some of its cynicism long enough to struggle toward this end. The end may be utopian, but cultural utopianism will do America good. They are also essential on economic grounds. While it is clear that automation and the rest will not obsolete hundreds of thousands of workers tomorrow, even today's labor market shows the strains of under-education. Skilled and analytic work needs recruits. The strong back carrying an unformed mind is still hired, but not always. Furthermore, the kinds of skills and the modes of analysis are changing and will continue to do. People's careers will be changing ones, changing as the scope of work changes. That will make occupational lives far more interesting, heaven knows, but it will also demand a system of higher education which serves not only from the age of seventeen to twenty-one, but considerably and flexibily thereafter.

At the same time, mass higher education is inevitable because "college" is part of the American mystique. Four years in the fraternity, a dab of Psych. 1, a touch of culture, entré to a white collar job, a spouse: such does Main Street expect of college. (Let's remember that the SDS intellectual's vision is a minority vision.) College is Good, particularly in the eyes of those who didn't go themselves, but whose children will go. It is at its worst the new Chautauqua. The populist view, a system of mass higher education parallel to mass school education, will inevitably obtain. Just as the present college should not be a mass model, so too do we want to avoid the Main Street model. Those who finance must finance with care.

The experience of the secondary school is instructive. For a cluster of reasons, social and economic, some form of education beyond the rudiments siezed (and that is the right word) the public fancy in the fifteen years after 1885. High school education was seen as a ladder up, but more importantly as a symbol. To the mass of Americans, its content was rarely at issue; the simple provision of something called secondary education was. The result was a compromise between the common schools and the colleges. A curriculum extending up from the existing primary school subjects – essentially English, history, and mathematics – had foreign language and science added, old and new subjects of the college. National committees of college men and, academically inclined school leaders set a course of study in the 1890's that endures today: English, mathematics, history and civics, science, and foreign language for some; additional "informational" vocational subjects for those needing them (these of a lower order of esteem); and "goals" calling for intellectual discipline and responsible civil conduct. The states and local communities funded and still fund this form of education, now provided for over 90 per cent of the affected age group. The division of knowledge in these subjects, the priorities among them, their transmission (supposedly) into kids' heads in "grades" organized by age and of twenty to thirty pupils in size: all these customs and more are essentially unchanged since 1900.

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(The progressive movement in secondary education was more rhetoric than reality, those who scoff Dewey's supposed damage notwithstanding.)

For many children the secondary education decreed by Charles Eliot, William Torrey Harris, and the other leaders of seventy years ago is relevant and powerful today. In many schools the divisions of knowledge into the "disciplines" of the 1890's is successful. But for some children and for some schools it most profoundly is not. Children are not interchangeable parts (the most ignored cliché in American education), and their schooling should reflect this. Further, knowledge is a constantly growing, changing, alive thing. To categorize it, to fix it, into relatively immutable disciplinary forms distorts and demeans it.

As with the secondary school, so with the the college. The arguments for mass "liberal education" when defined in fixed disciplinary terms sound as assured and as wrongheaded as those heard for the high school in the 1890's. "College" is a "symbol." Let's give everyone the diploma, the chacet. All Americans will be upper-middle class managers, with the Great Books in the "study."

Higher education must be financed to allow variety and change, to force competition, and to play groups off against one another. A combination of unrestricted institutional grants (on a sliding formula accounting for the differences in costs of different kinds of students and fields) and allowances to students in the general pattern of the GI bills is called for. Neither the institution nor the student would have "control" through finance: there would have to be some kind of compromise. (Consider how dramatically the high schools would change today if there had to be a "compromise" between producer and consumer. An allowance scheme is badly needed for the schools.) Allowances would be available for considerably more than just the 17 to 21 year old's travel through "college." Allowances could be used in a variety of institutional patterns – work-study programs, national televised schemes (if these evolve powerfully enough), foreign study and more. As few restraints as possible should be placed on either the institutional grants or the allowances. There are dangers here, surely; but the dangers of atrophy, seen so well in the high schools, are greater. It is easy to laud "flexibility," but it is essential here. There is no fix of "higher education" appropriate for each student. There is no fix of knowledge, no permanent real "standard" for all time. The ideal of the old-time American college is illusory; knowledge is more fickle than that. Finance must follow this necessity. It should ensure as far as it can variety and experiment and constant reform.

Theodore R. Sizer is Dean of Graduate School of Education, Harvard University.

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The Need for Direct and Substantial Aid

MALCOLM MOOS

As one views the many different ways in which federal support can be used in higher education, one is forced to conclude at once that no one program of support is most useful for all institutions. Clearly, a variety of approaches is needed.

In general, the University of Minnesota believes that federal assistance is most helpful when it is directed at those problems of the institution which represent the most substantial drains on institutional resources, when it offers reasonable discretion in use of funds to the institution, and when it is direct rather than indirect aid.

It follows that major universities, at least, are helped by institutional assistance, rather than categorical assistance. One continually pressing need, for example, is for new physical facilities to support growing and changing student bodies and rapidly changing educational programs. A failure to meet these needs from federal or state funds has a direct effect on tuition. For this reason, the federal legislation supporting academic facilities was most important. Universities are most concerned about the possibility that such aid may be sharply cut.

Another kind of institutional assistance that can be highly beneficial is the institutional assistance grant. Such legislation has been strongly supported by the National Association of State Universities and Land-Grant Colleges. Broad institutional support for institutions offers great flexibility in use. If the nation has respect for the ability of institutions of higher education to manage such resources wisely, we believe such institutional grants will eventually be made available.

Short of broad institutional grants, a useful program is to be found in the broad categories of direct grants for specific purposes — strengthening of science programs, support of international education, and so on. Such grants provide some flexibility, but they do appear to present some problems in a constantly changing pattern of educational needs. (They often require major re-arrangements of staff within the institution.) This is not to say that specific categorical grants for purposes related to important national goals are inappropriate. The fellowships for experienced teachers are an example of such a program. What is important is a careful selection of the area in which such grants are needed. These kinds of grants can augment and strengthen a strong institutional grants program.

The University of Minnesota supports the use of statewide allocations of some categorical grants. Our goal should be that federal support bring growth in resources to weaker institutions while fortifying the stronger ones.

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INSOFAR as aid to students is concerned, the University of Minnesota believes that such aid is most important. Again, student financial aid is most useful where it goes directly to meet educational needs. For this reason, we have strongly supported the NDEA program. Substantial funds made available to institutions to be used in a discretionary program of assistance can make a great difference to needy students. Our federal funds for loans, fellowships and grants have always been used fully. The University attempts to aid each needy student with a "package" of aid most suited to his needs and his situation. It may consist of a grant, a loan – and part-time employment. Federal support under such programs as the Work-Study program, the NDEA Loan Program, and others has provided an augmentation of institutional resources to help students that has been most encouraging.

We have not found as useful those programs which provide indirect aid. One type of program of this kind is the guaranteed loan program. The institutional discretion to make some judgement about the wisest use of such funds is missing. As a result, the aid may not, and we think sometimes does not, go to those who need it most. For the same reason, we oppose most strongly the proposed tax credit plan. Such aid is unrelated to real need, either of students or the institution. We believe that such a plan will not serve the interests of student or institution, and could represent a sizable drain of federal resources away from those other programs of federal assistance that really can have an inhibiting effect on higher tuition trends.

We much prefer the kind of scholarship program enacted in Minnesota by the 1967 State Legislature. That program provides a sliding scale of scholarship grants to allow a student greater choice in the selection of an institution. This legislation can be of great help to private liberal arts colleges. It will also be of substantial assistance to public institutions. A federal program of this kind might well be undertaken.

Still needed is substantial federal funding for support of instruction. The Education Professions Act is a welcome step in this direction.

The University of Minnesota recognizes a critical need to keep all institutions, large and small, public and private, in a viable condition to provide higher education for the nation. We know that this requires a number of different kinds of federal assistance programs. We think it is most important to recognize that institutions must meet those educational goals that they believe are in the interest of their community. If federal assistance provides them with flexibility in resources so they are more able to reach those goals, the greatest economy of effort and finances is achieved. If, however, the federal assistance does not find its way directly into the areas of greatest educational need, or, even worse, diverts institutions from their educational goals, that assistance may actually create problems an institution can solve only by changing its goals or diverting other needed resources.

We believe that those federal programs which provide flexibility for the institution should be strongly supported – facilities support,

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institutional grants, broad categorical assistance, direct grants to institutions to provide fellowships, scholarships, grants and loans to students. We are pleased to see some leading Congressional support for such programs. If our institutions of higher education are to fulfill their vastly more complex missions in our generation, such aid must and will expand.

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